2011 CITY OF TORONTO FINANCIAL REPORT

For the fiscal year ending December 31, 2011, City of Toronto, Ontario, Canada

TORONTO

CITY OF TORONTO FINANCIAL REPORT | 2011

For the fiscal year ending December 31, 2011

This report was prepared by:
The City of Toronto, Accounting Services, Corporate Finance,
Design Services and Strategic Communications

TORONTO

TABLE OF CONTENTS

Government Finance Officers Association (GFOA) Award: Canadian Award for Financial Reporting vi
A Message From Toronto Mayor 1
A Message From The City Manager 3

INTRODUCTION

A Profile of Toronto 7
Map of Electoral Wards 21
Toronto City Council 22
2010-2014 Executive Committee & Standing Committee Mandates 24
City Administrative Structure 25
City of Toronto Special Purpose Bodies 26

FINANCIAL CONDITION AND PERFORMANCE

A Message From The Deputy City Manager & Chief Financial Officer 29
Fiscal Capacity 30
Physical Infrastructure 31
Capital Financing and Debt 32
Capital Market and Investment Activities During 2011 and the Outlook for 2012 34
Reserves and Reserve Funds 35
Deferred Revenues 36
Revenues 37
Property Tax 37
User Fees 42
Funding Transfer From Other Governments 42
Other Taxation 42
Credit Rating 42
Long Term Financial Plan Update 45
Performance Measurement and Benchmarking Results 46
Treasurer's Report 51
Appendix A: Key Issues/Risks Facing the City of Toronto 70

2011 CONSOLIDATED FINANCIAL STATEMENTS

Management's Report 77
Independent Auditor's Report 78
Consolidated Statement of Financial Position 79
Consolidated Statement of Operations and Accumulated Surplus 80
Consolidated Statement of Change in Net Debt 81
Consolidated Statement of Cash Flows 82
Notes to Consolidated Financial Statements 83
Consolidated Schedule of Tangible Capital Assets – Schedule 1 120
Schedule of Government Business Enterprises – Appendix 1 122
Consolidated Schedule of Segment Disclosure – Service – Appendix 2 123
Consolidated Schedule of Segment Disclosure – Entity – Appendix 3 125
Consolidated Schedule of Segment Disclosure –Tangible Capital Assets by Entity – Appendix 4 127
Glossary 128

2011 STATISTICAL INFORMATION

Five-Year Review Summary 135

Canadian Award for Financial Reporting

Presented to

City of Toronto
Ontario

For its Annual
Financial Report
for the Year Ended

December 31, 2010

A Canadian Award for Financial Reporting
is presented by the Government Finance Officers
Association of the United States and Canada
to government units whose annual financial reports
achieve the highest program standards for Canadian
Government accounting and financial reporting.

Linda C. Davidson
President

Jeffrey L. Esser
Executive Director

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Canadian Award of Financial Reporting to the City of Toronto for its annual financial report for the fiscal year ended December 31, 2010. The Canadian Award for Financial Reporting program was established to encourage municipal governments throughout Canada to publish high quality financial reports and to provide peer recognition and technical guidance for officials preparing these reports.

In order to be awarded a Canadian Award for Financial Reporting, a government unit must publish an easily readable and efficiently organized annual financial report, whose contents conform to program standards. Such reports should go beyond the minimum requirements of generally accepted accounting principles and demonstrate an effort to clearly communicate the municipal government's financial picture, enhance an understanding of financial reporting by municipal governments, and address user needs.

A Canadian Award for Financial Reporting is valid for a period of one year only. The City of Toronto is continuing this standard of high quality reporting for the submission and evaluation to the GFOA for the 2011 Award Program.

A MESSAGE FROM TORONTO MAYOR

ROB FORD

In my first full year as Mayor, I am proud to announce that we have taken great strides forward since December 2010. We've turned the tide on out-of-control spending and are working more efficiently than ever before. However, there is still room for improvement – and we will continue our disciplined efforts to improve efficiency as we close the gap between projected spending and revenue growth.

In 2011, we conducted the most comprehensive budget process the City has ever undertaken. As I promised, we talked to the taxpayers. We consulted with thousands of people. Over 1,200 people were consulted at eight public meetings. More than 13,000 people responded to the Service Review Survey. Committees and Council held more than 101 hours of debate and heard 574 deputants. The amount of public consultation and media interest in the City's services and finances was unprecedented.

As a result, for the first time in the City's history, spending in the 2012 budget will actually decrease from what was budgeted in 2011. In the winter of 2011/2012 we bargained honestly and frankly with our union leaders – and we achieved negotiated agreements that were fair and reasonable for both employees and taxpayers. At the end of the day, we saved over $150 million and we won increased management flexibility that will allow city managers to improve customer service while reducing costs. We did all of this with no disruption to City services. These are huge achievements that move the City in the right direction, while ensuring that City services continue to be delivered with the customer service excellence residents expect.

Looking forward, we will continue to look for efficiencies and savings opportunities for Toronto taxpayers. We've worked hard for the past 18 months to build a stronger fiscal foundation for Toronto. Because of this hard work, we can focus on our priorities to continually improve customer service, develop a 10-year economic plan to create jobs, keep taxes low and make it easier to move around Toronto with better roads and transit.

Toronto is now in a stronger fiscal position and I would like to thank all City staff and City leaders for their hard work and dedication to make this happen.

I will continue my commitment to doing what's right for taxpayers and put people and families at the centre of everything we do and help build a better city.

Rob Ford, Mayor
City of Toronto

A MESSAGE FROM THE CITY MANAGER

JOSEPH P. PENNACHETTI

I am pleased to present the 2011 Annual Financial Report. The annual report provides details about the City's financial performance and provides the opportunity to note the City's progress and achievements.

In December of 2010, I informed Council of our intent to carry out three major reviews to improve the City's fiscal sustainability:

1. A core services review to assess what services the City provides as compared to major cities in other jurisdictions
2. A series of service efficiency studies of selected City Divisions, Agencies, Boards and Commissions to recommend how we can lower the cost of service delivery
3. A comprehensive user fee review to determine who should pay for City services and at what level

These reviews were completed in 2011 and informed the 2012 budget that was introduced in November 2011. In addition to these studies, I asked staff to restrain spending as much as possible without impacting front line services to residents and businesses. Staff responded and these efforts made a significant contribution to the surplus generated in 2011. The improving economy also played a large role in this year's surplus with increases in municipal land transfer taxes, property tax assessment and transit revenues.

With spending restraint and growing revenues, we were able to submit a 2012 budget to Council that significantly reduces our reliance on one time revenues. In 2011, Council used $346 million in previous year's surpluses to balance the budget. For 2012, this was reduced to $102 million and we will be working with Council to reduce this to zero over the next two years. Moving away from the use of "one time" revenues to balance the budget provides more certainty to Toronto's residents and businesses as to the levels of services they can expect to receive and the level of property taxes and fees they will be asked to pay.

I'm proud to report that Toronto continues to be an important participant in global financial markets and continues to have relatively low debt levels compared to other municipalities, despite financial challenges. Maintaining a high quality credit rating enables the City to borrow at a lower cost and offer its debt to a wider market. The City's current credit ratings are Aa1 Moody's and AA- Standard and Poor's. The AA rating reflects the City's strong ability to make payments on its debt now and in the future.

We are on our way to achieving financial stability which could not have been done without the support of the Toronto Public Service. I would like to extend special thanks to the staff for their dedication and commitment in delivering programs and services to the people of this great city.

Sincerely,

Joseph P. Pennachetti
City Manager

2011 INTRODUCTION

CITY OF TORONTO FINANCIAL REPORT

A PROFILE OF TORONTO

TORONTO IN WORLD RANKINGS

Toronto is one of the most liveable and competitive cities in the world as demonstrated by various international rankings and reports. In addition to securing its position on the world stage, Toronto's rankings confirm that it continues to offer a high quality of life for about 2.7 million residents who choose to live and work here.

- **The World's 2nd Most Liveable City**
  Cities of Opportunity, PricewaterhouseCoopers, March 2011

  The fourth annual Cities of Opportunity, a report from PricewaterhouseCoopers and the Partnership for New York City, is a quantitative and qualitative look at 2011's emerging picture of city life in 26 world capitals of finance, commerce and culture in 10 broad categories. Toronto ranked second overall, and second after New York in both finance and intellectual capital and innovation, as well as health, safety and security.

Top Ten Global Financial Centres

Source: Cities of Opportunity, PricewaterhouseCoopers, May 2011

- **4th in Worldwide Ranking of Top Tech Hubs**
  Startup Genome, April 2012

  In a study released this year, Toronto ranked fourth, after Silicon Valley, New York and London among 25 cities worldwide as a top tech hub by Startup Genome, a project that aims to increase the success rate of start-ups and accelerate the pace of innovation globally.

- **Toronto ranked #2 in Top 10 Smart Cities on the Planet**
  Fast Company, January 2012

  In its first global ranking of smart cities, Fast Company magazine ranks Toronto second only to Vienna as a top smart city and the highest ranked North American city. Says the magazine, "Smart cities use information and communication technologies to be more intelligent and efficient in the use of resources, resulting in cost and energy savings, improved service delivery and quality of life, and reduced environmental footprint - all supporting innovation and the low-carbon economy."

- **4th in the World's Liveability Survey**
  Economist Intelligence Unit, August 2011

  The Economist Intelligence Unit's Liveability Survey ranked Toronto 4th in the world for liveability, after Vancouver, Melbourne and Vienna. This is the second time Toronto has received this ranking from the Economist Intelligent Unit. The liveability rating, part of the Worldwide Cost of Living Survey, quantifies the challenges that might be presented to an individual's lifestyle in 140 cities worldwide. Each city is assigned a score for over 30 qualitative and quantitative factors across five broad categories: stability, healthcare, culture and environment, education, and infrastructure.

- **Worlds' Top Ten Global Financial Centres**
  Global Financial Centres Index (GFCI 9), Z/Yen Group & City of London, March 2011

  In the March 2011 Global Financial Centres Index (GFCI 9), Toronto has risen from 12th place to equal 10th with Sydney, Australia and was considered the clear leader in Canada. Toronto remains among the top three global leaders in North America, behind New York and Chicago but ahead of Boston and San Francisco. The GFCI 9 report evaluated the competitiveness of 75 financial centres worldwide using results of online surveys completed by financial services leaders. The survey is updated every six months.

- **Canada's Best Sustainable Cities**
  2011 Most Sustainable City in Canada, Corporate Knights, February 2011

  For the second year in a row, Toronto ranked the top amongst Canada's big cities. Corporate Knights' annual Sustainable Cities report measured the relative sustainability of 17 Canadian cities, considering the ability of individuals and communities to flourish without contributing to the progressive degradation of the human and natural systems, such as ecological integrity, economic security, governance and empowerment, infrastructure and built environment, and social well-being.

- **8th on the Scorecard on Prosperity 2011**
  Toronto Board of Trade, March 2011

  Toronto ranked 8th in the overall city ranking in the Toronto Board of Trade's report Toronto as a Global City: Scorecard on Prosperity 2011, which was a benchmarking study that provided a detailed understanding of how Toronto and four other Canadian cities rank against 19 other global centres, on issues related to the economy and labour attractiveness. Toronto ranked second behind Calgary amongst Canadian cities, and was ahead of global cities like New York, Tokyo and Hong Kong.

The City of Toronto is Canada's largest city with a population of 2.7 million residents. It is the heart of a large urban agglomeration of 5.7 million called the Greater Toronto Area (GTA)[1]. The City has one of the most ethnically diverse populations in North America. Almost one in four visible minority persons in Canada resides in Toronto. Nearly half of the City's population (47%) is visible minorities.

Toronto, with 83,000 businesses, is the major economic engine of the country. The City is both the political capital of the Province of Ontario and the corporate capital of Canada. As well, it is the major centre for culture, entertainment and finance in the country. The City is the home to more national and internationally ranked companies than any other city in Canada.

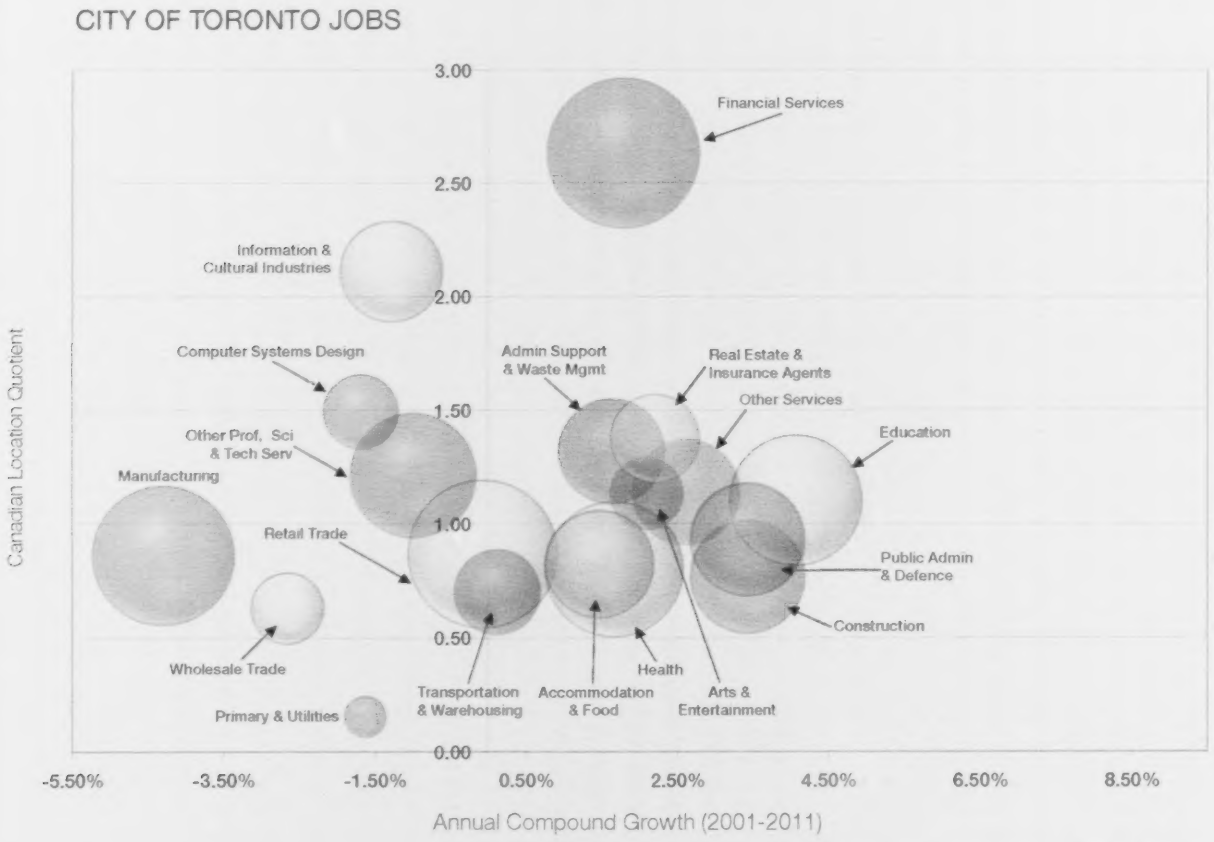
The GTA is one of the largest regional economies in North America, characterized by concentrated and fast-growing finance-related industries and highly specialized knowledge-based jobs. An estimated $280 billion of goods and services (GDP 2010) are produced in the Toronto Census Metropolitan Area (CMA)[2]. The City of Toronto accounts for just over half of this total (2010: $144 billion). As well, the City accounts for 24% of the province's and about 9% of the country's economic output.

[1] Greater Toronto Area (GTA) refers to the City of Toronto plus the surrounding regions of Durham, York, Peel and Halton which include four upper tier and 24 lower tier municipalities.
[2] Toronto CMA (Census Metropolitan Area) refers to the municipalities assigned by Statistics Canada on the basis of labour market and commuting criteria. It comprises the City of Toronto and 23 other municipalities.

City of Toronto, GTA and CMA

Key Employment Sectors

The following graphic recognizes the diverse nature of the City of Toronto's economy while providing some useful insights into the City's key employment sectors. The size of a sector bubble represents employment size. The horizontal position of a sector bubble on the graphic denotes industry growth rate. The vertical position on the graph denotes the concentration of the sector's employment within the City relative to other major cities in Canada. Therefore the sectors at the top of the chart are exported goods and services and the ones to the right are growing more rapidly than others.



Source: Economic Research, Economic Development & Culture Division, City of Toronto

From the graph it is noted that Financial Services, Information & Cultural industries and Computer Systems Design have the highest concentration of employment in Toronto in comparison to other Canadian cities. High growth industries include Education, Construction and Public Administration and Defence. In addition, Financial Services, Retail Trade, Health, Education, Manufacturing and Other Professional, Science & Technology Services are the largest sectors in terms of employment.

One significant trend is that employment in the Manufacturing industry in the City, though still one of the largest sectors, has been on the decline at an average annual rate of 4.3% from 2001 to 2011. By 2011, the number of employed people in the Manufacturing industry was less than 2/3 of what it was in 2001.

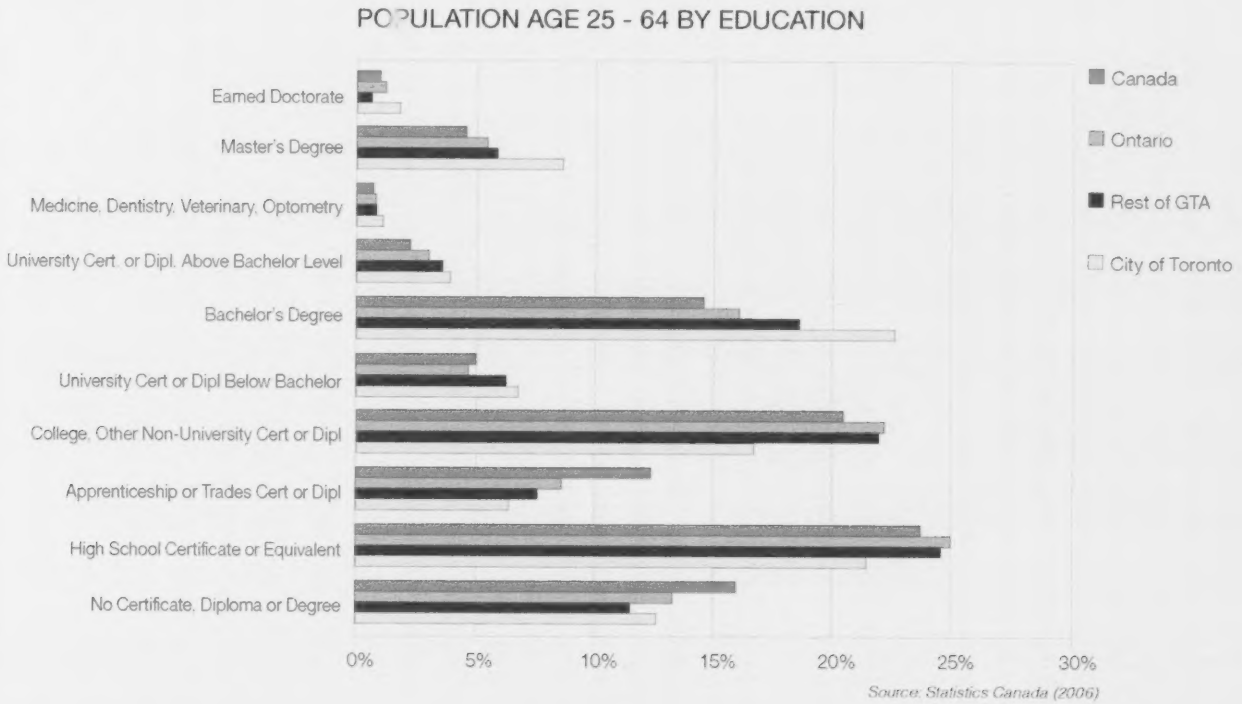
The Financial Services sector is emerging as the one of Toronto's highest growth industries with a large and highly concentrated workforce. The Toronto region is home to the functional head offices of the five major banks in Canada and is considered to be one of the top ten financial centres in the world according to the Global Financial Centres Index. Banking in Canada is widely considered the most efficient and safest banking system in the world, ranking as the world's soundest banking system according to a 2008 World Economic Forum report, ahead of Sweden, Luxembourg, Australia, Denmark and the Netherlands. By contrast, the United States was ranked 40th. Most recently, five of Canada's biggest financial institutions have been named to a list of the world's strongest banks. The May 2011 study by Bloomberg Markets, which reviewed the quality and stability of a firm's holdings, indicated that Canada had the most banks on the lists (with five). It is further proof that Canada has the most secure banking system in the world. According to Moody's Analytics, by 2017, Toronto is expected to surpass London in terms of total financial services jobs with Toronto expecting to add an additional 100,000 jobs in this sector by 2020 while London is expected to lose a further 30,000 jobs over the same period.

As part of the health sector, the biomedical and biotechnology cluster in Toronto is the fourth largest in North America. The Discovery District is a downtown research park with 7 million sq. ft. of facilities - Canada's largest concentration of research institutes, business incubators and business support services. The Medical and Related Sciences (MaRS) project, Faculty of Pharmacy building at the University of Toronto, and the Centre for Cellular and Biomolecular Research (CCBR) help give the Discovery District its name. A further 800,000 square foot addition to the MaRS Centre is currently under construction with a targeted completion date of Fall 2013.

The information and culture sector is one of the high concentration sectors in the City. Toronto has undergone a 'cultural renaissance' with the unprecedented building and architectural transformation of close to a dozen major arts and cultural institutions, including the Michael Lee-Chin Crystal (expansions to the Royal Ontario Museum), the Art Gallery of Ontario, the new home of the Toronto International Film Festival, the Four Seasons Centre for the Performing Arts which is the new home of the National Ballet of Canada, the Canadian Opera Company, and the Gardiner Museum of Ceramic Art. The production of domestic and foreign film and television is a major local industry. Toronto contains the headquarters of the major English-language Canadian television networks such as CBC, CTV, Citytv and Global. Toronto is home to two national daily newspapers (Globe and Mail and National Post), two local daily newspapers (Toronto Star and Toronto Sun), approximately 79 ethnic newspapers/magazines, and many other community papers.

Workforce

Toronto has a large educated, skilled and multilingual workforce. Toronto is the home to four universities (University of Toronto, York University, Ryerson University, and Ontario College of Art and Design), and four community colleges (Centennial, Seneca, Humber and George Brown). More than 60% of Toronto workers have post-secondary degrees, diplomas or certificates.



With an estimated 1.6 million people working in the City of Toronto, it continues to be a net importer of labour from the surrounding regions. The net inflow of people to the city is estimated to be over 200,000 people every day. However the surrounding regions are changing rapidly in that they are experiencing growth in manufacturing and other types of employment and thus transforming themselves from residential suburbs to employment destinations. The rest of the GTA has now also become a net importer of labour from the surrounding regions beyond the GTA.

Economic Growth

Canada emerged from the world's economic recession (technically defined as two consecutive quarters of negative GDP growth) in late 2009. According to Statistics Canada, the 2008-2009 recession was less severe than those in 1981-1982 and 1990-1992 with respect to economic contraction and employment. Moreover, Canada's recession was less pronounced than in other major industrialized countries. Canada is the only G7 nation where output, private domestic demand, and employment have returned to pre-recession levels by 2010.

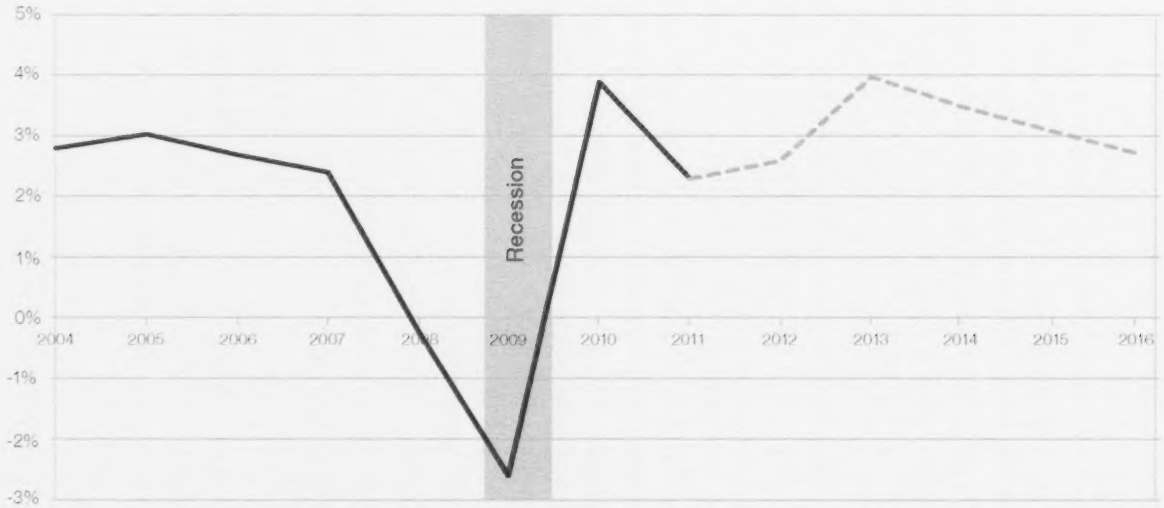
At the end of 2009 and early 2010, Canada's economic rebound was driven by buoyant consumer spending, a hot housing market, and significant government fiscal stimulus. However, economic growth slowed from a level of 3.2% in 2010 to 2.1% in 2011 due to a retreat in both household and government spending. Canada's real GDP is forecasted to grow by a modest 2.4% in 2012, but advance by 3.3% in 2013 and by 2.8% in 2014 as strong commodity prices will continue to drive investment and production in the resource sector.

At the provincial level, Ontario was amongst the harder-hit provinces in the latest recession due to its concentration of the auto and manufacturing industries. After taking a heavy beating in 2009, Ontario rebounded with healthy growth of 3.4% in 2010 largely due to a quick recovery in auto and parts exports, outperforming all other Canadian provinces. While global economic uncertainty and a sluggish U.S. recovery contributed to a lower level of growth of 1.8% in 2011, The Conference Board forecasted that Ontario's real GDP would grow by 2.2% in 2012, followed by 3.3% in 2013, fuelled by solid growth in business investment and rising exports.

At the local level, the goods sector was hardest hit during the economic downturn that began in Toronto in the third quarter of 2008 into 2009. However, the region's economy rebounded in 2010 with impressive real GDP growth of 3.9%, led by renewed strength in manufacturing, construction, and wholesale and retail trade, as well as government stimulus spending. Unrest in the global economy and weaker consumer spending contributed to a slowdown in economic growth in 2011. The housing sector remained resilient, however, which in turn had a positive impact on the financial, insurance and real estate sectors. Preparation for the 2015 Pan Am Games in Toronto and Hamilton is expected to provide an economic stimulus in non-residential construction in the years leading up to event. As the following chart illustrates, the Conference Board is forecasting that Toronto CMA is expected to encounter modest real GDP growth of 2.6% in 2012 before upticking to 4.0% real GDP growth in 2013 and an average of 3.3% growth over the 2013-2016 forecast period.

GDP GROWTH RATE

TORONTO CMA

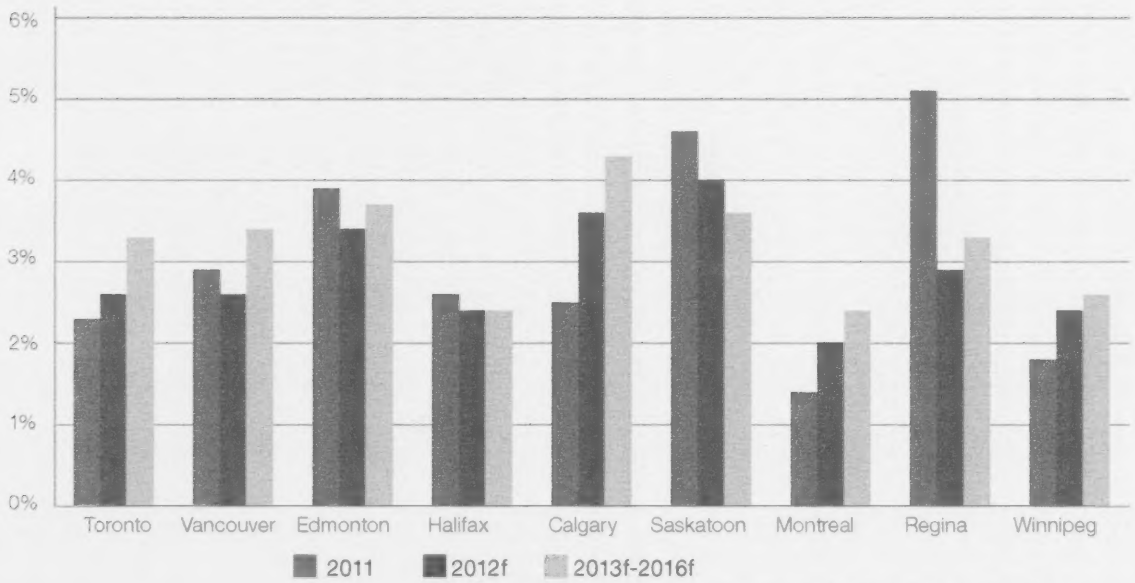


Source: Conference Board of Canada Metropolitan Outlook Winter 2012

The following chart compares the economic growth of major Canadian city-regions (CMAs). Going forward, Toronto will see healthy, improving growth, but will trail behind the mid-west regions (Calgary, Edmonton and Regina) as their strong oil sand construction activities and the expanding energy sectors help propel faster growth in those regions.

REAL GDP GROWTH

MAJOR CANADIAN CITY-REGIONS (CMA)

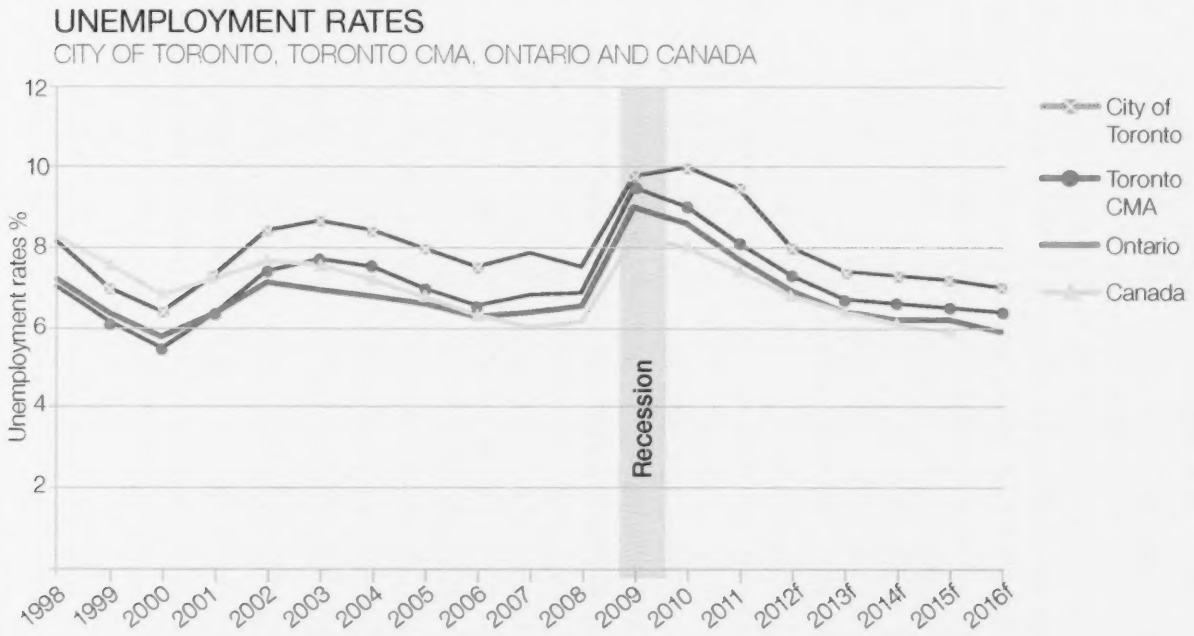


Source: Conference Board of Canada Metropolitan Outlook Winter 2012

Economic Indicators

- **Unemployment Rate**

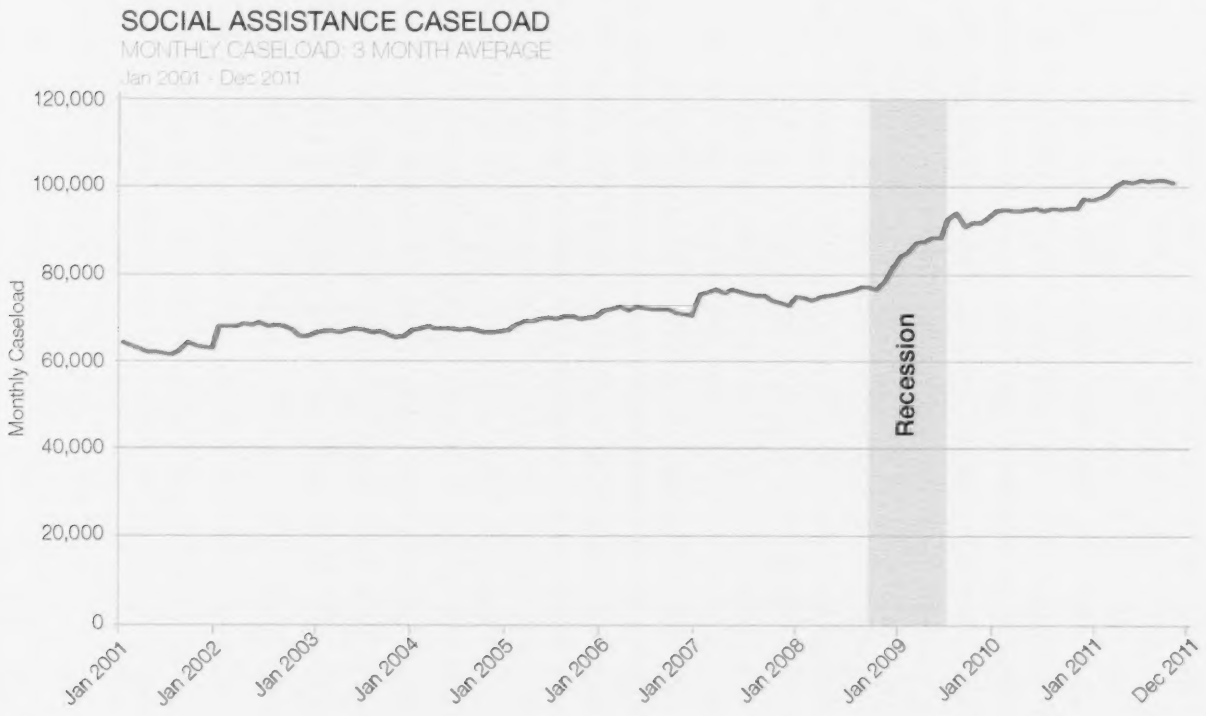
Within the Toronto region, the City and the rest of the CMA region (905) exhibited different economic growth patterns. In the City, job losses during the recession coupled with decreased participation rates led the City's unemployment rate to increase to 10% in 2009, a level not seen since the early/mid-1990s. Despite having emerged from the recession the City's unemployment rate remained stubbornly high at 10% in 2010, before improving slightly to 9.5% in 2011. Going forward, it is estimated that the City's unemployment rate will lag the rest of the CMA, Ontario and Canada in returning to the pre-recession level.



Source: Labour Force Survey, Statistics Canada
Forcast: Conference Board of Canada – Metropolitan Outlook Winter 2012

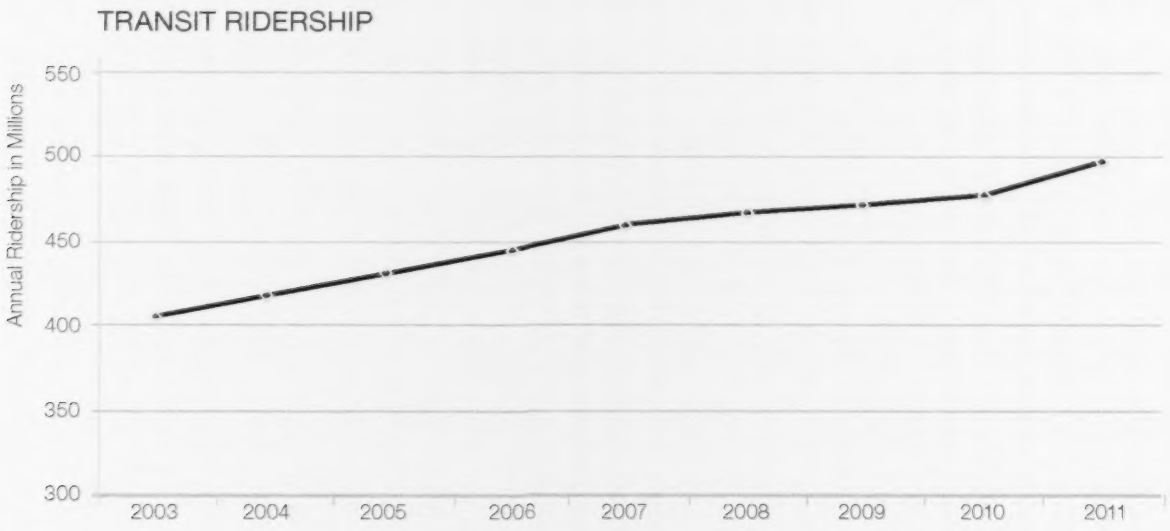
- **Social Assistance Caseload**

The number of cases and people on Social Assistance are largely dependent on the unemployment rate, and to a certain extent, population. The City's Social Assistance (Ontario Works) caseload has followed a similar historical trend as its unemployment rate (although lagging by anywhere from six to 12 months). The following chart shows that while the caseload has trended upward since 2002, the rate of increase has been more pronounced since the start of the most recent recession in 2009. Since January 2009, the number of cases has risen approximately 25% to 101,000 cases at end of 2011.



- **Transit Ridership**

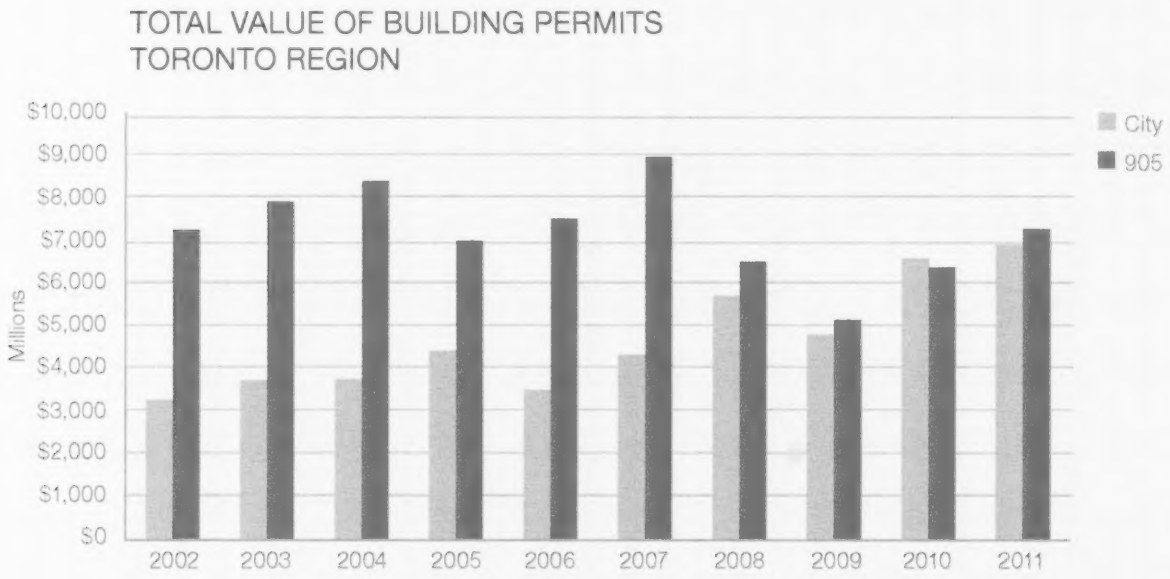
Transit ridership, an indicator generally moving in tandem with employment, defied the economic downturn and continued to rise in 2009 and 2010. In fact, TTC ridership reached the highest level since 1988, at 497 million passenger rides in 2011. It is probably due to TTC's Ridership Growth Strategy, which had more than offset the impact of lower employment resulting from the economic downturn, and hence led to continued growth in the transit ridership.



Source: Toronto Transit Commission

- **Building Permits**

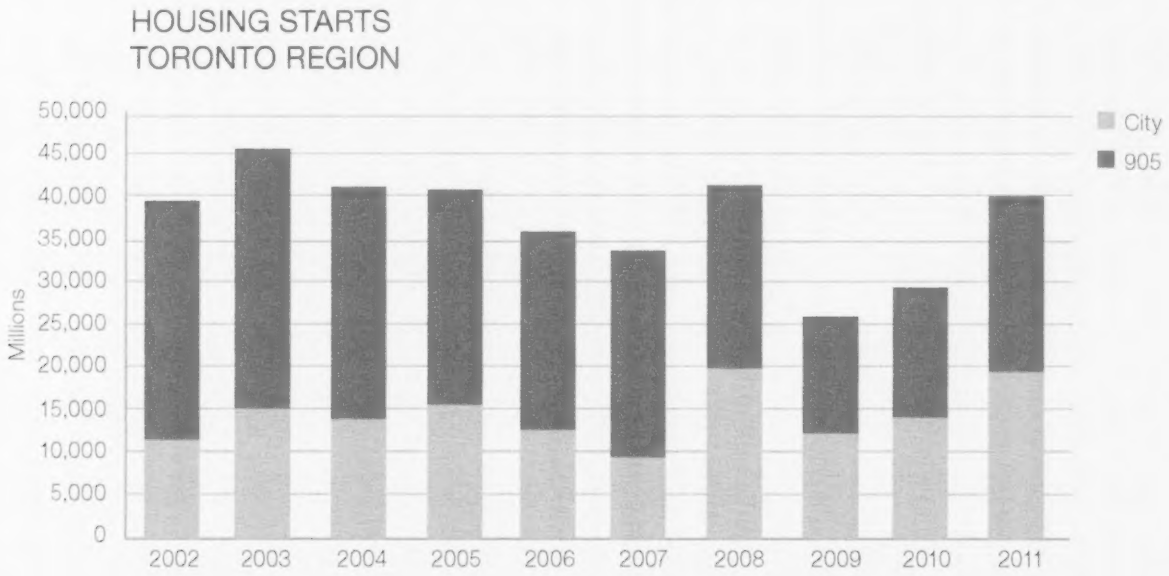
The City of Toronto accounted for 49% of the value of all building permits issued in the Toronto CMA in 2011 with a record $6.9 billion for all building categories. The value of permits has risen for three consecutive years.



Source: Statistics Canada

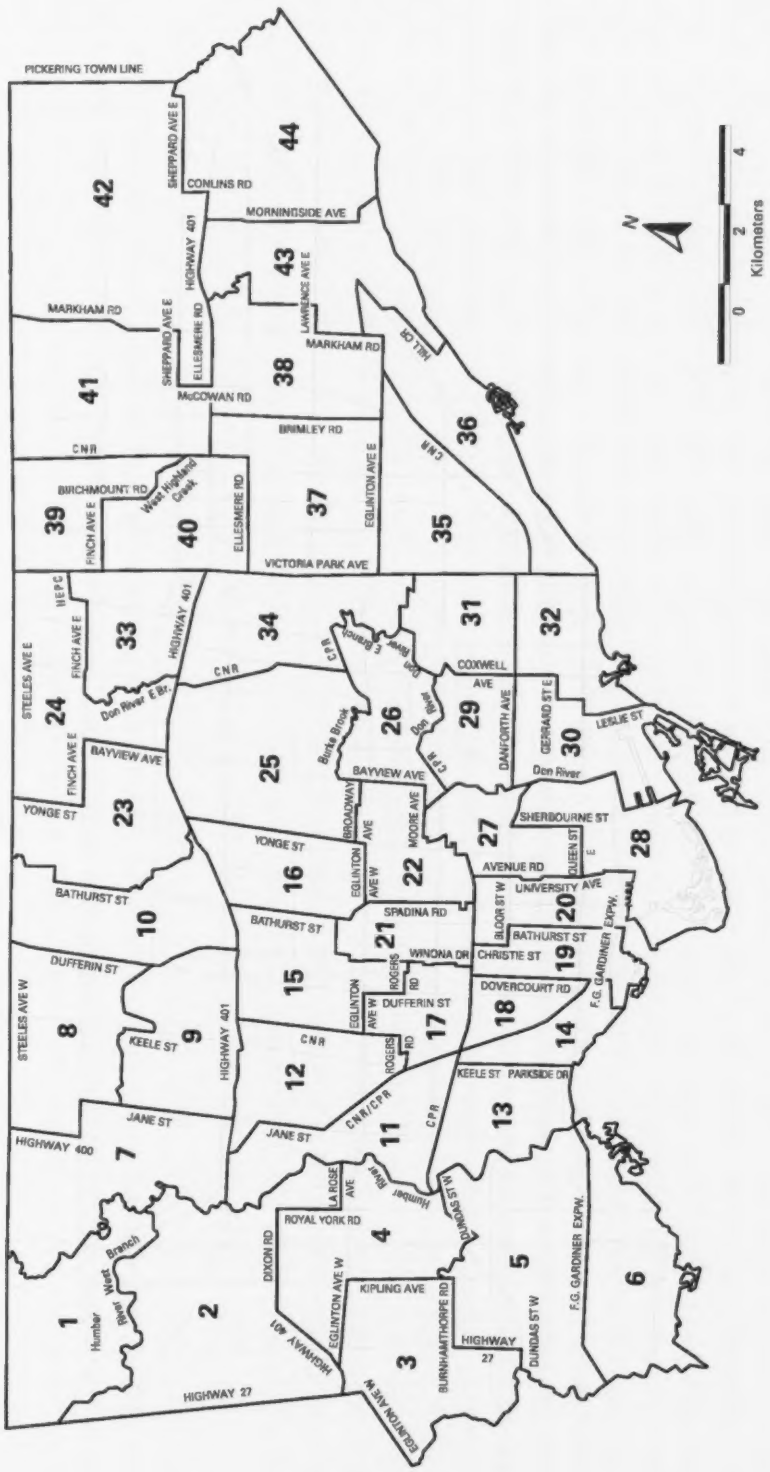
- **Housing Starts**

The City of Toronto accounted for 48% of all housing starts in the Toronto CMA in 2011 with 18,972 of the total of 39,745 housing starts. In 2002, the City of Toronto accounted for only 27% of housing starts in the CMA.



Source: CHMC – Housing New

MAP OF ELECTORAL WARDS



TORONTO CITY COUNCIL

Mayor Rob Ford

Ward 1
Vincent Crisanti

Ward 2
Doug Ford

Ward 3
Doug Holyday

Ward 4
Gloria Lindsay Luby

Ward 5
Peter Milczyn

Ward 6
Mark Grimes

Ward 7
Giorgio Mammoliti

Ward 8
Anthony Perruzza

Ward 9
Maria Augimeri

Ward 10
James Pasternak

Ward 11
Frances Nunziata

Ward 12
Frank Di Giorgio

Ward 13
Sarah Doucette

Ward 14
Gord Perks

Ward 15
Josh Colle

Ward 16
Karen Stintz

Ward 17
Cesar Palacio

Ward 18
Ana Bailão

Ward 19
Mike Layton

Ward 20
Adam Vaughan

Ward 21
Joe Mihevc

Ward 22
Josh Matlow

Ward 23
John Filion

Ward 24
David Shiner

Ward 25
Jaye Robinson

Ward 26
John Parker

Ward 27
Kristyn Wong-Tam

Ward 28
Pam McConnell

Ward 29
Mary Fragedakis

Ward 30
Paula Fletcher

Ward 31
Janet Davis

Ward 32
Mary-Margaret
McMahon

Ward 33
Shelley Carroll

Ward 34
Denzil Minnan–Wong

Ward 35
Michelle Berardinetti

Ward 36
Gary Crawford

Ward 37
Michael Thompson

Ward 38
Glenn De Baeremaeker

Ward 39
Mike Del Grande

Ward 40
Norman Kelly

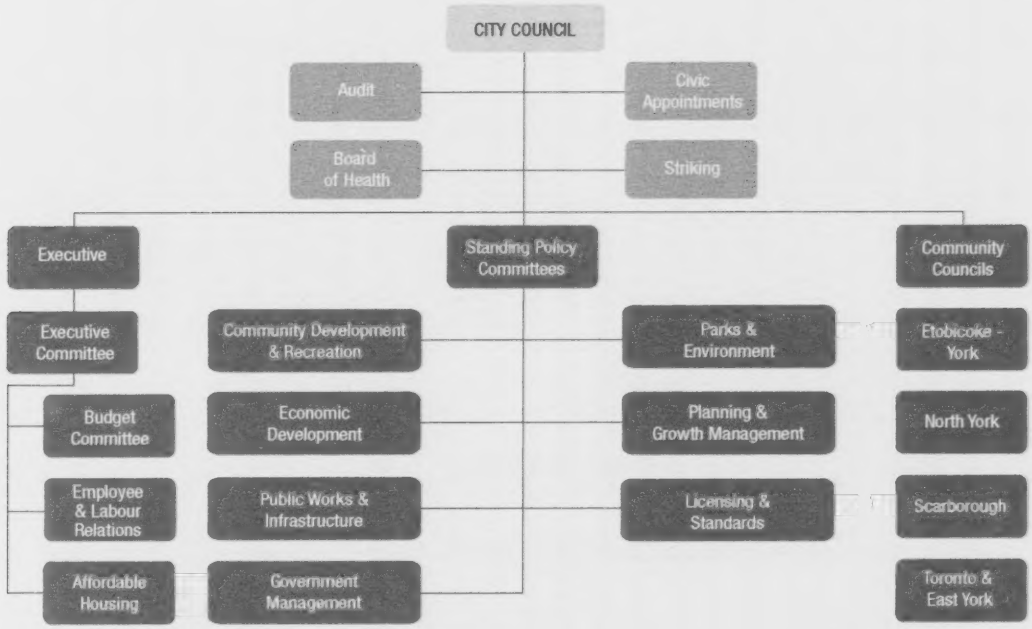
Ward 41
Chin Lee

Ward 42
Raymond Cho

Ward 43
Paul Ainslie

Ward 44
Ron Moeser

2010-2014 EXECUTIVE COMMITTEE & STANDING COMMITTEE MANDATES



2010-2014 EXECUTIVE COMMITTEE AND STANDING COMMITTEE MANDATES

EXECUTIVE COMMITTEE:
The Executive Committee's mandate is to monitor and make Recommendations on the priorities, plans, international and intergovernmental relations, and the financial integrity of the City.

The responsibilities of the Executive Committee include:
(1) Council's strategic policy and priorities in setting the agenda;
(2) Governance policy and structure;
(3) Financial planning and budgeting;
(4) Fiscal policy including revenue and tax policies;
(5) Intergovernmental and international relations;
(6) Council and its operations; and
(7) Human resources and labour relations.

The Executive Committee makes recommendations or refers to another committee any matter not within the Standing Committee's mandate or that relates to more than one Standing Committee.

AUDIT COMMITTEE
The responsibilities of the Audit Committee include:
1. Recommending the appointment of the City's external auditor;
2. Recommending the appointment of an external auditor to conduct the annual audit of the Auditor General's office;
3. Considering the annual external audit of the financial statements of the City and its agencies, boards, and commissions;
4. Considering the external audit of the Auditor General's office;
5. Considering the Auditor General's reports and audit plan;
6. Conducting an annual review of the Auditor General's accomplishments;
7. Making recommendations to Council on reports the Audit Committee considers.

STANDING COMMITTEES
The standing committees are organized along seven broad policy areas:

Community Development and Recreation Committee – will focus on social inclusion and undertake work to strengthen services to communities and neighbourhoods.

Economic Development Committee – will focus on the economy and undertake work to strengthen Toronto's economy and investment climate.

Public Works and Infrastructure Committee – will focus on infrastructure and undertake work to deliver and maintain Toronto's infrastructure needs and services.

Government Management Committee – will focus on government assets and resources and undertake work related to the administrative operations of the City.

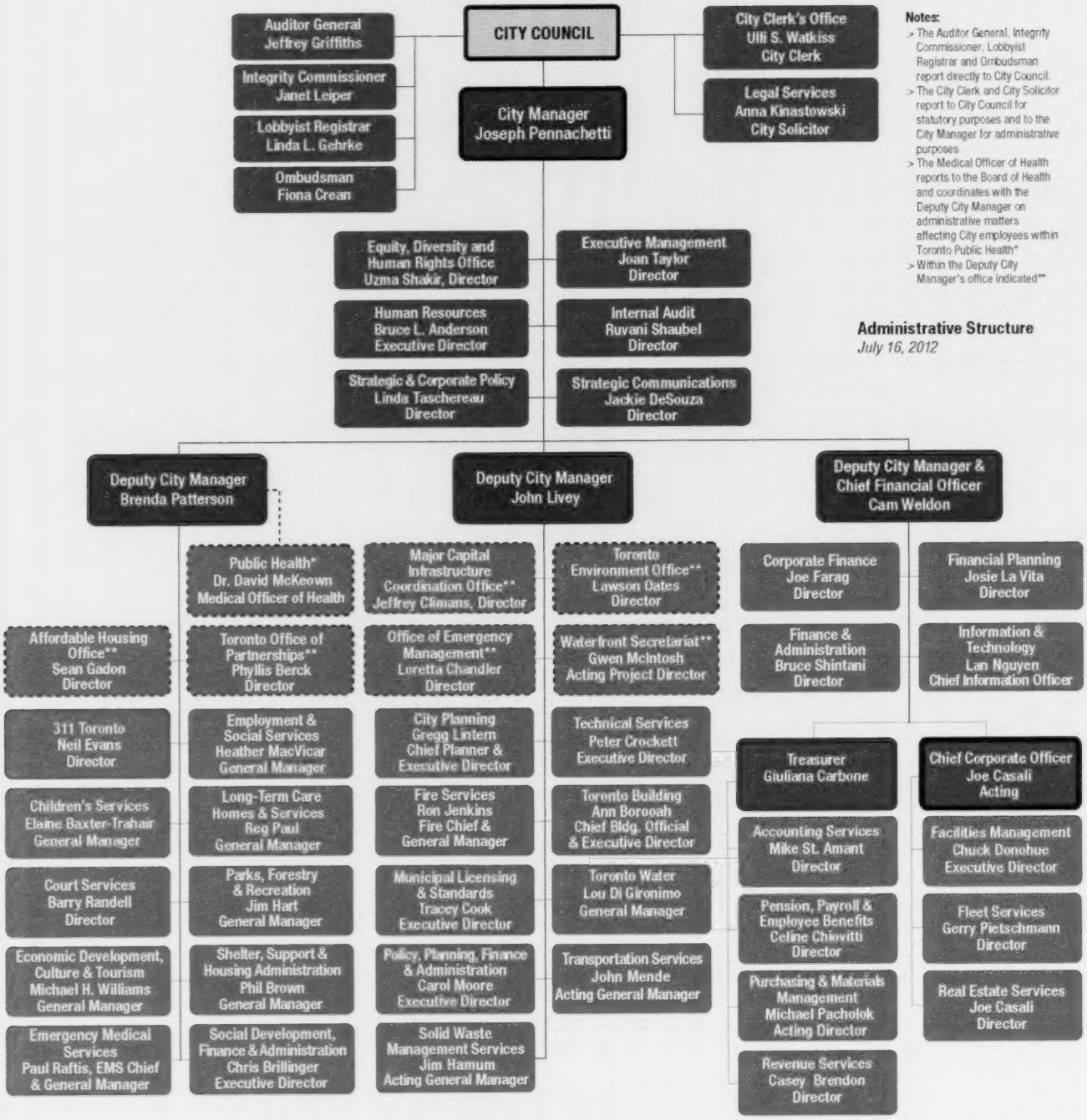
Parks and Environment Committee – will focus on the natural environment and undertake work to ensure the sustainable use of Toronto's natural environment.

Planning and Growth Management Committee – will focus on the urban form and undertake work related to good city planning and sustainable growth and development.

Licensing and Standards Committee – will focus on consumer safety and protection and undertake work related to licensing of businesses and enforcement of property standards.

Note: Reference should be made to the Municipal Code – Chapter 27, Council Procedures, for the specific responsibilities of each committee.

CITY ADMINISTRATIVE STRUCTURE



Notes:

- The Auditor General, Integrity Commissioner, Lobbyist Registrar and Ombudsman report directly to City Council.
- The City Clerk and City Solicitor report to City Council for statutory purposes and to the City Manager for administrative purposes
- The Medical Officer of Health reports to the Board of Health and coordinates with the Deputy City Manager on administrative matters affecting City employees within Toronto Public Health*
- Within the Deputy City Manager's office indicated**

Administrative Structure
July 16, 2012

CITY OF TORONTO SPECIAL PURPOSE BODIES

AGENCIES [1]

Service Agencies

- Board of Health
- Exhibition Place
- Heritage Toronto
- Police Services Board
- Public Library Board
- Sony Centre for the Performing Arts (operating name for Hummingbird Centre)
- St. Lawrence Centre for the Arts
- Toronto Atmospheric Fund
- Toronto Centre for the Arts
- Toronto Parking Authority
- Toronto Transit Commission
- Toronto Zoo
- Yonge-Dundas Square

Community-Based:

- 8 Arena Boards
- 10 Association of Community Centre Boards (AOCCs)
- 72 Business Improvement Areas (BIAs)

Quasi-Judicial & Adjudicative Boards

- Committee of Adjustment
- Committee of Revision
- Compliance Audit Committee
- Property Standards Committee/Fence Viewers
- Rooming House Licensing Commissioner and Deputy [3]
- Sign Variance Committee
- Toronto Licensing Tribunal

Partnered Agency

- Toronto and Region Conservstion Authority

CORPORATIONS [2]

City Corporations

- Build Toronto Inc.
- Casa Loma Corporation
- Invest Toronto Inc.
- MasterCard Centre (operating name for Lakeshore Arena Corporation)
- Toronto Community Housing
- Toronto Hyrdo Corporation
- Toronto Port Lands Company (operating name for Toronto Economic Development Corporation)

Partnered Corporations

- Enwave Energy Corporation
- Waterfront Toronto

Notes:

1. Previously referred to as agencies, boards and commissions.
2. Ontario Business Corporations Act (OBCA) corporations.
3. Rooming House Licensing Commissioner and Deputy are Officers, rather than an agency of the City, but in all other respects function as a quasi-judicial and adjudicative board.

Updated: April 2012

2011 FINANCIAL CONDITION & PERFORMANCE

CITY OF TORONTO FINANCIAL REPORT

A MESSAGE FROM THE DEPUTY CITY MANAGER & CHIEF FINANCIAL OFFICER

CAM WELDON

The 2011 Annual Financial Report for the City of Toronto provides an in depth look at the City's financial performance over the past year, and highlights the progress towards major goals for Toronto's residents and businesses.

One key goal of the City's long term financial plan is to ensure the City maintains its sizable investment in water, wastewater, roads, transit and other infrastructure in a state of good repair. The City is also making significant investments in expanding transit infrastructure to meet the demands of a growing population. This is putting increased pressure on our borrowing needs. When the 2012 Capital Budget was launched in November of 2011, rather than increasing our borrowing requirements, we identified a goal of raising $700 million in new funding for transit capital investment over the next five years from the following sources:

- The monetization of City assets such as the sale of Enwave and a 10% share of Toronto Hydro
- The development and sale of surplus City real estate
- Using City surpluses for capital investment as opposed to balancing the operating budget
- Taking advantage of any new federal or provincial capital investment programs as they are announced.

Council approved proceeding with the sale of the City's minority investment in Enwave but has delayed the decision on the sale of a minority stake in Toronto Hydro. Build Toronto and the Toronto Portlands Company have made excellent progress on the development and sale of surplus City real estate assets and paid the City $60 million in dividends in the first half of 2012. More significantly, Council has confirmed that 75% ($214 million) of the 2011 budget surplus will be allocated to the Capital Financing Reserve to pay for transit capital projects. We are almost 40% of the way in our $700 million goal in new capital financing in the first year of the five year plan. With the sale of Enwave expected to be completed in the fall, continued dividends from Build Toronto and Council's commitment to set aside 75% of surplus for capital, we will achieve the remaining 60%.

The federal and provincial governments have yet to announce new capital investment programs for municipalities but we expect them to within the next few years and we will respond accordingly.

For the fifth consecutive year, the City of Toronto has won the Government Finance Officers Association of the United States and Canada award for excellence in financial reporting. Summarizing the financial activities of such a diverse and complex city is extremely challenging and this award could not have been possible without the dedication of the professional team that I have the privilege to work with every day.

Cam Weldon
Deputy City Manager & Chief Financial Officer

FISCAL CAPACITY

Toronto enjoys a well diversified economy, relatively low business costs, a well-educated workforce and good infrastructure, which allows it to be well positioned to compete internationally. The City government has a sound financial base, as reflected by its high credit rating (at AA+, one level below the maximum AAA) and its healthy accumulated surplus and strong cash position.

The City's structural shortfall comprises two components:

- A cumulative component due to programs downloaded from other levels of government, and
- An annual component due to annual ongoing operating shortfalls.

In an effort to eliminate the annual operating shortfall the City, in 2011, conducted a Service Review Program consisting of a Core Service Review, Service Efficiency Studies and a User Fee Review. Approximately 28 Core Service Review related actions were considered in 2011 with an estimated $49.42 million in gross savings. The Service Efficiency Studies conducted by external firms identified initial savings estimated between $167.0 million to $249.1 million. As a result of the User Fee Review, City Council approved a new corporate policy for setting the price of user fees and determining the amount that should be recovered. New policies to fully recover costs, where appropriate, and the identification of additional opportunities for collecting user fees, are expected to result in higher user fee revenues in future years.

Annual salary and benefits cost pressures are traditionally the largest component of the structural shortfall. As a result of successful labour negotiations in the winter of 2011/2012, these cost pressures have been reduced significantly. The City is expected to save approximately $150 million over 2012-2015 through changes to workplace practices and benefits, and benefit liability reduction. Increased management flexibility as a result of the new agreements will also allow managers to improve customer service while reducing costs further.

The 2008-2009 economic recession had put the City's fiscal capacity under additional stress. Revenues and expenditures that were sensitive to the economic conditions created additional operating budget pressures. As indicated earlier, certain economy-sensitive costs have not returned to the pre-recessionary levels. For example, Social Assistance (Ontario Works) caseload increased by about 33% in 2011 when compared with the 2008 level. On the other hand, declining commodity prices and low interest costs offset some of the budget pressures. It is expected that certain recessionary impacts (such as high unemployment) may linger into the next couple of years.

PHYSICAL INFRASTRUCTURE

The City owns a significant amount of physical assets - comprising roads, expressways, bridges, traffic signal controls, water and wastewater treatment facilities, distribution and collection pipes, reservoirs, pumping stations, subways, streetcars, buses, civic centres, recreation facilities, public housing buildings, parkland and other lands. This infrastructure, excluding land, is currently estimated to be worth in excess of $65 billion. The City's capital program is driven largely by the costs of maintaining these physical assets in a state of good repair.

	Estimated Physical Asset Value
Transportation Infrastructure	**$11 Billion**
Water & Wastewater Infrastructure	**$28 Billion**
Public Transit System	**$11 Billion**
Buildings, Facilities & Fleet	**$ 9 Billion**
Housing Infrastructure	**$ 6 Billion**
Total (excluding parkland and land)	**$65 Billion ++**

The City's road network, the majority of which was constructed in the 1950's and 1960's, is in need of major repair and rehabilitation. The City's water and wastewater network is similarly aged — 50% of the water pipes and 30% of wastewater pipes are more than 50 years old, while 7% of watermains and 3% of wastewater infrastructure are more than 100 years old. Due to fiscal constraints, the City's historical spending in the capital program is less than ideal. In addition, capital requirements resulting from population growth and demographic changes will add financial pressures. The City's 2002 Official Plan projects population growth of up to a million people in the City of Toronto, raising the population to 3.5 million people in 30 years. More buses, social housing, recreation centres, etc. are required, which will put pressures on the City's capital and operating budgets to provide additional services, and build and operate new facilities.

The investment in physical infrastructure is typically funded by the following sources: Federal and provincial funding where applicable, reserves and/or reserve funds, development charges, donations, operating contribution and debt. Debt is the funding source of last resort for capital purposes.

Subsequent to the 2008-2009 recession, the Federal and Provincial governments introduced economic stimulus program funding (under the Infrastructure Stimulus Fund (ISF) and the Recreational Infrastructure Canada Program in Ontario and the Ontario REC (RInC-REC)). The stimulus funding for the City totalling $460 million over two years ending March 31, 2011, leveraged the City's capital program and enabled the City to begin to renew the infrastructure that supports City services. In December 2010, the Federal Government announced an extension for completion of ISF – RInC projects to October 31, 2011. This allowed the City to maximize the utilization of funds available under these programs. As part of its 2009 stimulus budget, the Federal Government also created the "Municipal Infrastructure Lending Program (MILP)", which offered low-cost loans for municipalities to invest in residential infrastructure, local transportation infrastructure and wastewater treatment facilities. During 2010 and 2011, the City executed three loans through MILP totalling $120 million to finance capital works for roads and bridge improvements ($100 million) and municipal infrastructure related to social housing redevelopment ($20 million).

In setting the current Capital Budget and Plan, a key objective is to ensure that available resources are utilized to mitigate State of Good Repair (SOGR) backlog and to minimize risks associated with delayed maintenance of the City's aging infrastructure.

CAPITAL FINANCING AND DEBT

The City borrows to finance capital expenditures, it cannot borrow to finance operating expenditures under the *City of Toronto Act.* The goal for capital financing is to maximize all funding from external sources, including Federal and Provincial Governments, development charges, donations and reserve funding, before using City's own revenue sources, namely operating contribution and issuance of debt, while achieving the lowest cost of funds.

Toronto has enjoyed relatively low debt levels; however, in light of the growing capital infrastructure needs, there is a sizeable and growing gap between future capital expenditure needs and ongoing sustainable revenue sources. The City does not appear to have the fiscal capacity for necessary growth related expenditures, e.g. TTC, Transportation, etc. For the next ten years, the TTC is projected to make up the majority of the new debt required to fund the City's capital requirements.

The City has implemented a framework for developing multi-year capital and operating budgets, and ensured that limited resources are aligned to priorities to maximize the benefits for Toronto's residents.

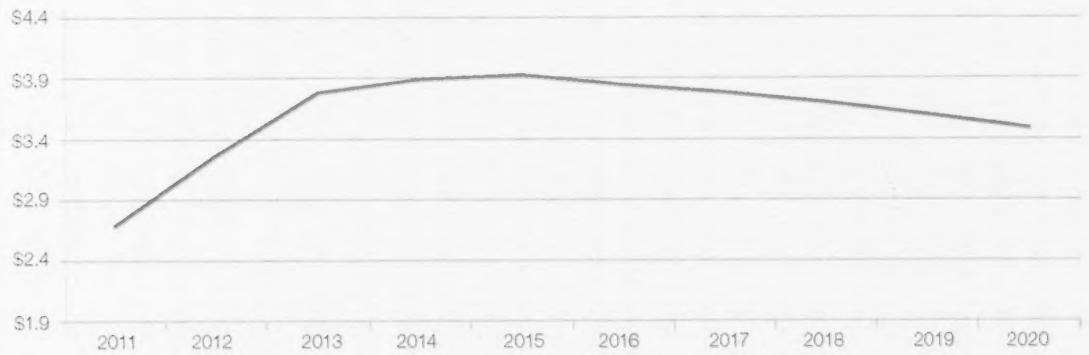
The City in 2010 refinanced parts of its current and future debt by paying down existing debt, and borrowed funds for selected projects on 30-year terms as opposed to the current 10-year term. The 30-year debt was used to finance long term assets and more closely match the life span of the infrastructure being built or purchased, e.g. subway tunnels and subway cars.

The City used the proceeds of the Toronto Hydro promissory note, which had been dedicated to two specific areas of investment (Spadina subway and Waterfront development), and paid down approximately $600 million of existing debt by prepaying the City's sinking fund.

A new strategy to inject $700 million in non-debt financing into the capital budget will be employed starting in 2012. The new financing is expected to come from proceeds from the use of future operating budget surpluses in accordance with the City's surplus policy, potential monetization of City assets, and expected provincial and federal assistance. Through these actions, the City intends to fully finance the capital plan from the TTC that was previously unfunded, minimize the amount of property taxes used to pay debt financing costs, while maintaining the City's debt service ratio well below its 15 per cent threshold in relation to property taxes. The move also allows safeguards for the City in the uncertain global economy.

Current estimates showed that the City's net long-term outstanding debentures would increase from $2.7 billion at the end of 2011 to peak at just over $3.9 billion in 2015 (mainly due to Pan Am Games and the TTC), and decrease to $3.5 billion by 2020 as shown in the chart below.

CITY OF TORONTO
NET DEBT ($ BILLIONS)



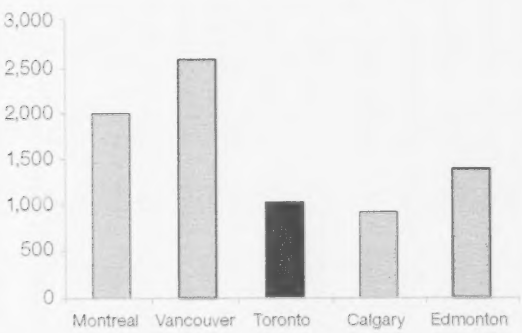
City Council previously approved a debt service guideline such that the debt service cost should not exceed 15 per cent of property tax revenues in a given year. Although only a guideline, this limit means that at least 85 cents on each tax dollar raised is available for operating purposes.

The 2010 debt refinancing will help manage the pressures of debt repayment related to the annual operating budget. Repayment of principal and interest on the City's debt continues to be the second highest expense on the annual property tax bill. Lowering the annual debt payments, and spreading them out over a longer period, will allow the City to direct more property tax dollars to services each year.

Overall, the City's debt burden is relatively modest and its net tax-supported debt per capita is comparable to other major Canadian municipalities. Interest costs also compared favourably with the other major Canadian municipalities, as illustrated below.

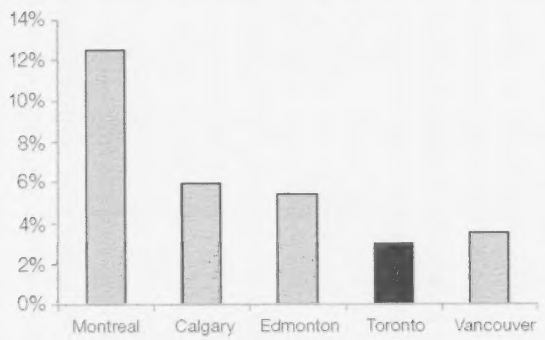
TORONTO'S NET DEBT IS COMPARABLE TO OTHER MAJOR CANADIAN CITIES

Net Tax-Supported Debt per Capita (2009 $M)



TORONTO'S INTEREST COST COMPARES FAVOURABLY WITH OTHER MAJOR CANADIAN CITIES

Interest Costs as a Proportion of Operating Expenditures (2009 %)



Source: DBRS Canadian Municipal Government Fact Sheet September 2011

CAPITAL MARKET AND INVESTMENT ACTIVITIES DURING 2011 AND THE OUTLOOK FOR 2012

Capital Market Activity

During 2011, the City issued $813 million of its approved debt program (up to $900 million for 2011) with $650 million ($450 million 30-year debentures and $200 million 10-year debentures) issued in the public capital market, a further $143 million 20 year debenture issued to Infrastructure Ontario for Green Lane, and $20.1 million debentures (on behalf of and to be paid by Toronto Community Housing Corporation) to the Canada Mortgage and Housing Company to take advantage of their low interest stimulus program.

For 2012, the City plans to issue a combination of debt with 10 and 30 year maturities, recognizing increased investor demand for these terms and interest rates that continue to be very attractive to government issuers. Since a portion of the City's capital financing requirements are expected to be fulfilled from the proceeds of the monetization of various assets as approved by Council, it is expected that the amount of debt required to be issued during the year will be lower than the budgeted amount of $900 million. Most likely, it will be in the range of $600 to $700 million.

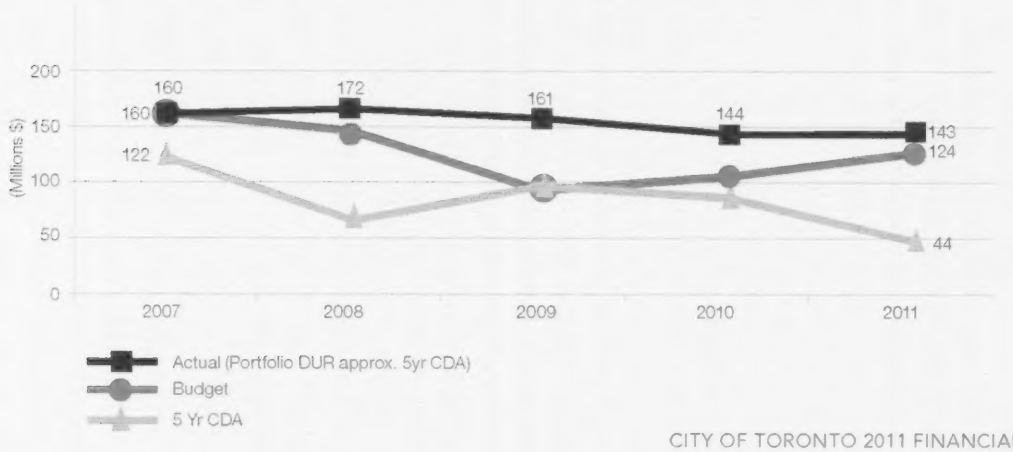
Investment Activity

The City manages several investment portfolios, each of which has specific objectives. Two individual portfolios that are managed interactively are the Bond and Money Market Funds. The Bond Fund is positioned towards funding the City's future reserve and reserve fund requirements and therefore takes a longer view of the market. The Money Market portfolio is primarily focused on ensuring that adequate liquidity is maintained to meet the immediate cash flow requirements of the City's daily operations.

The City's bond portfolio continued to exhibit high credit quality and liquidity, especially during these extended periods of economic turbulence and market turmoil. The City does not hold any bonds with less than an "A" credit rating and 86.3% were rated "AAA/AA".

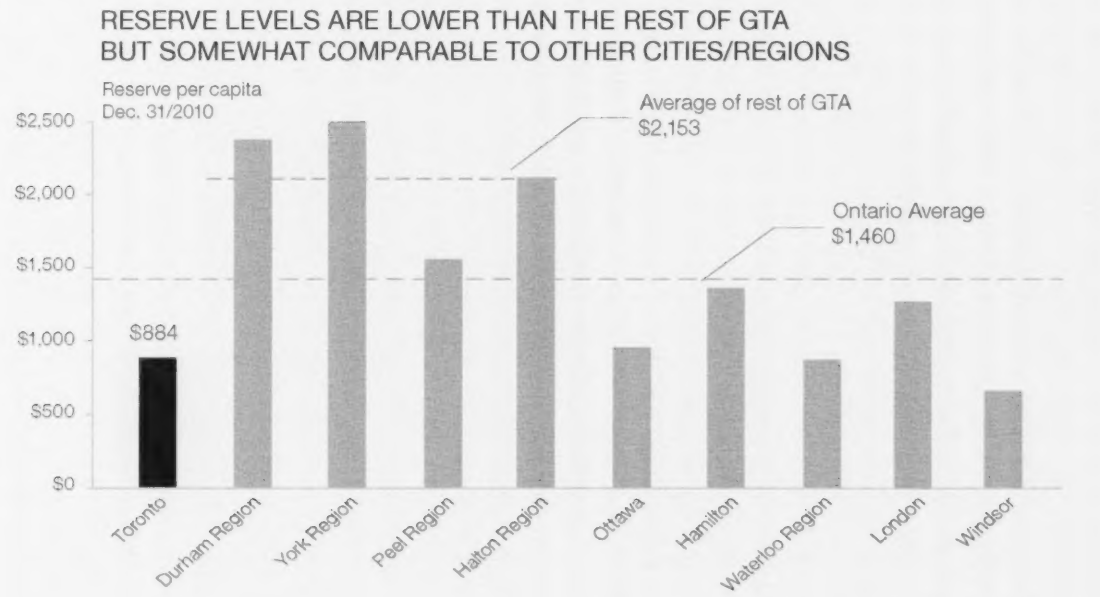
In 2011, investment earnings on the City's managed funds totalled $143.9 million. Interest rates plummeted to historic lows in 2011 while the City's required investment earnings to meet budgetary requirements continued to increase (see figure below). A 4.2% average annual rate of return was achieved in 2011.

CITY INVERSTMENT INCOME COMPARED TO BUDGET AND
A 'BUY & HOLD' 5-YEAR GOVERNMENT OF CANADA BONDS STRATEGY



RESERVES AND RESERVE FUNDS

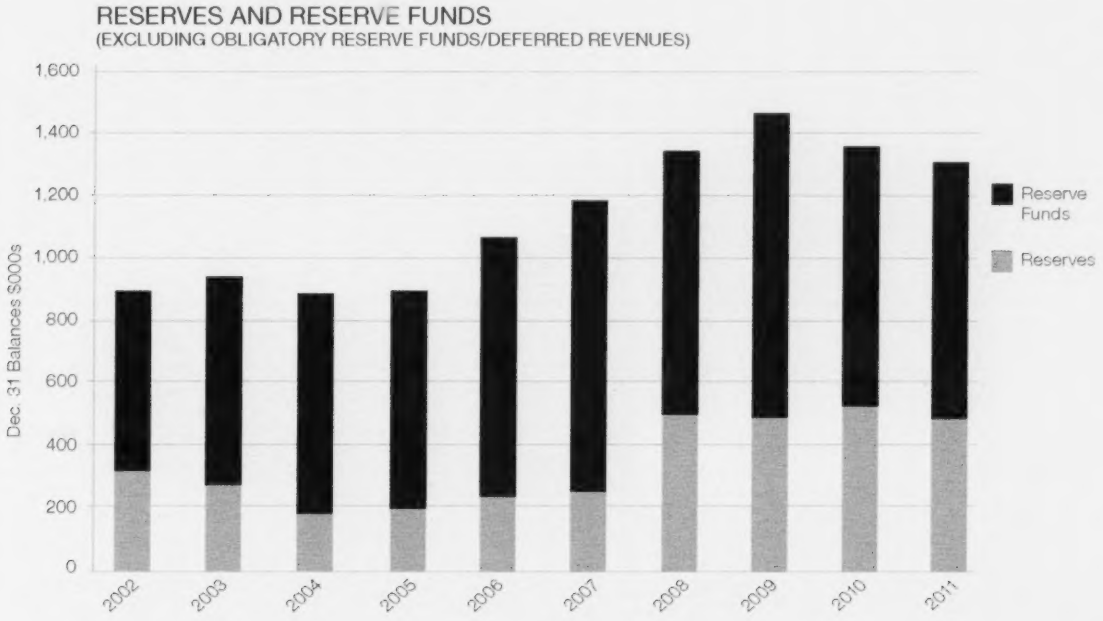
Reserves and Reserve Funds are monies set aside by Council to finance future expenditures for which it has authority to spend money, to defend the City against an unbudgeted or unforeseen event that may result in a budget deficit such as an economic downturn, to smooth out future program expenditures which may fluctuate from one year to the next, or to accumulate funds for future capital requirements or contingent liabilities. While the reserve fund balances would appear to be a large sum, it should be noted that the majority of these funds are committed to special purposes.



Sources: Ontario Ministry of Municipal Affairs & Housing - 2010 FIR
Regional data consolidated for upper and lower tiers
Balances include Obligatory Reserve Funds/Deferred Reve

On a comparative basis, the City's overall reserve fund balance on a per capita basis is much lower than those in other Ontario jurisdictions. Toronto's 2010 reserve per capita of $884 was considerably less than the rest of the GTA ($2,153), and about 60% of the provincial average ($1,460). The City has established long-term reserve strategies for major reserves, e.g. employee benefits reserve and water and wastewater stabilization reserves, to address and make sure that adequate funds are in place, including determining needs and establishing contribution policies.

The following chart shows the historical trend of reserve and reserve fund balances since 2002. While the overall trend has been rising, this has reversed in recent years as the City attempts to catch up on the State of Good Repair backlog and begins to invest in major capital initiatives like transit.



DEFERRED REVENUES

Funds that are set aside for specific purposes by legislation, regulation or agreement and may only be used in the conduct of certain programs or the completion of specific work are reported as Deferred Revenues (previously Obligatory Reserve Funds). These include funds received from the other orders of government, Development Charges for third parties earmarked for certain purposes, e.g. Transit, Social Housing, Parkland Acquisition, Long Term Care Homes and Services. These amounts are recognized as liabilities in the year the funds are deposited, and received into revenue in the fiscal year the related expenditures are incurred or services performed. These funds are all committed, some of which will be used to fund some of the City's priority capital needs like transit expansion, and are not available at Council's discretion.

REVENUES

PROPERTY TAX

Property tax revenue is the City's single largest source of revenue. The City collects $3.6 billion from residential and business property owners, which represents 38% of its total tax-supported Operating Budget.

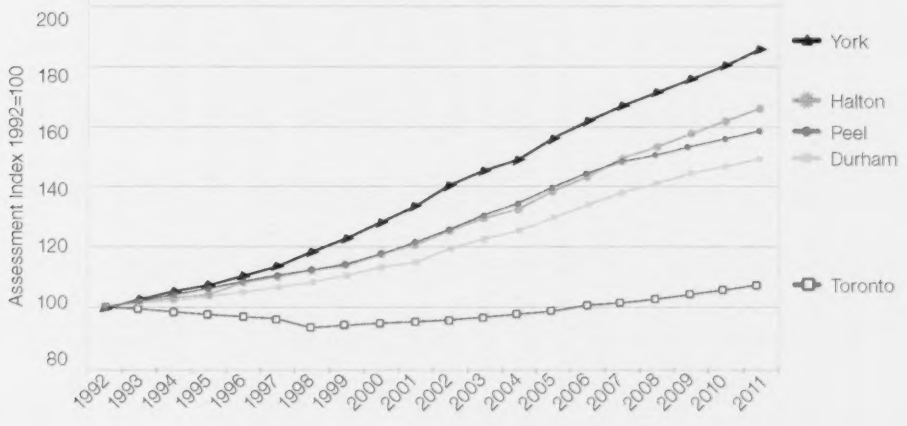
Every year the City is required by provincial legislation to establish tax rates that raise property tax revenues in the amount of the City's budgetary requirement. In addition, the City is also required to levy and collect property taxes for school purposes at the education tax rates prescribed by the Province.

The amount of property taxes payable by a property is determined by multiplying the Current Value Assessment (CVA) of a property by the applicable tax rate for that class of property (e.g., residential, commercial, industrial, or multi-residential). The total tax rate for a property class consists of a municipal tax rate necessary to meet the City's budgetary requirement and the education tax rate necessary to fund the provincially-determined costs of education.

The Municipal Property Assessment Corporation (MPAC), a provincial agency, is responsible for property assessment in Ontario and preparing the assessment rolls for municipalities on a Current Value Assessment (CVA) basis. The CVA of a property represents an estimated market value, or the amount that the property would sell for in an open market, arm's length sale between a willing seller and a willing buyer at a fixed point in time.

Over the last two decades, the GTA experienced quite remarkable economic and population growths following the recession of the early 1990's. The Toronto region (CMA) contains a number of the fastest-growing municipalities in Canada. The bulk of the new construction and the associated assessment increase are located in the surrounding areas in the GTA. For example, from 2001 to 2011 the rest of the GTA had assessment increases in excess of 30%: York Region: 39%, Halton Region: 38%, Peel Region: 31%, and Durham Region: 30%. By contrast, Toronto's property assessment in 2011 is just 13% above its 2001 level, partly due to the conversion of certain industrial into residential properties.

TORONTO DOES NOT HAVE THE SAME ASSESSMENT GROWTH ENJOYED BY THE NEIGHBOURING REGIONS



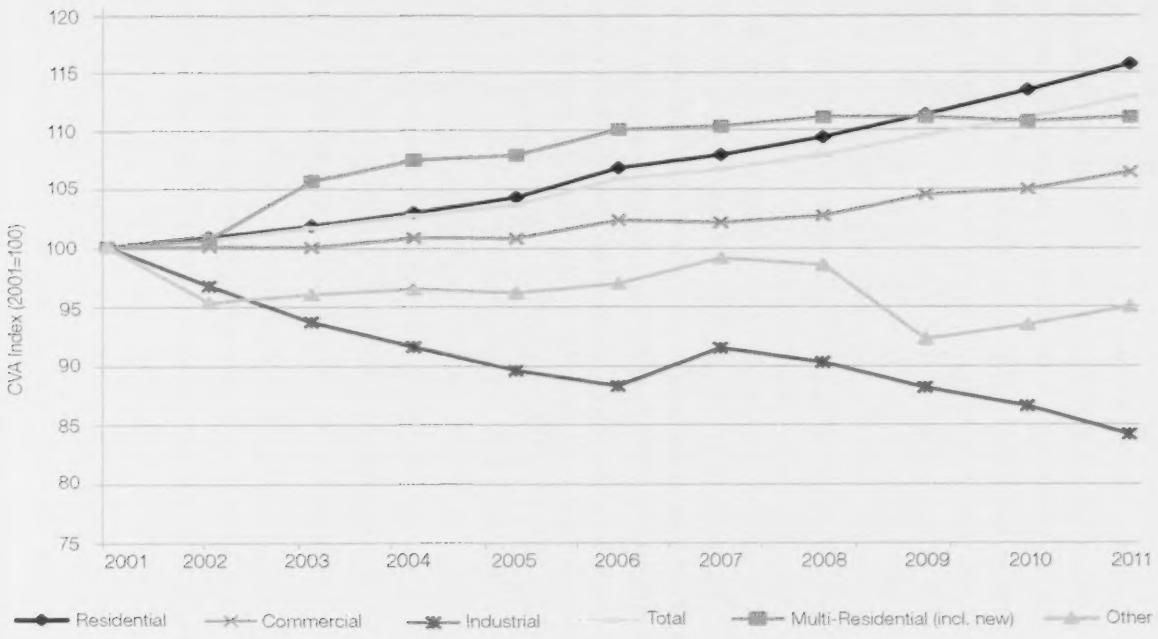
Source: Municipal Property Assessment Corporation

Since 2001, the total CVA of the City's properties has experienced a true net growth of 13% when the impacts of property reassessment are removed. Despite a decline in the industrial sector, the overall development climate in Toronto remained healthy in 2011 with continued growth in the residential and commercial sectors. At the end of the year, Toronto led all North American cities in the number of high-rise buildings under construction (178), with Mexico City (88) and New York City (74) being the next closest. In particular, 4 office towers currently under construction, or nearing commencement of construction are expected to contribute an additional 2.8 million square feet . Toronto's vacancy rates for both industrial and office space continued to be lower than in the "905" municipalities. The prospect for continued assessment revenue growth remains bright. This is illustrated in the chart below.

TORONTO'S TRUE ASSESSMENT GROWTH

(EXCLUDING REASSESSMENT IMPACT)

2001-2011



Property Assessment

The following chart depicts the total value of all property classes of the City of Toronto's current value assessment in each of the years from 2002 – 2011.

Effective 1998, Ontario municipalities whose commercial, industrial or multi-residential tax ratios exceed threshold ratios established by the Province, are restricted from passing on municipal levy increase to those classes. In Toronto, tax ratios for the commercial, industrial and multi-residential tax classes all exceed the provincial thresholds, as shown in the following chart, which means that no municipal levy (budgetary) increases can be passed on to these classes so long as the ratios exceed the threshold limits. This meant that instead of accessing the full assessment base, the City could increase tax rates only on the residential class at the time.

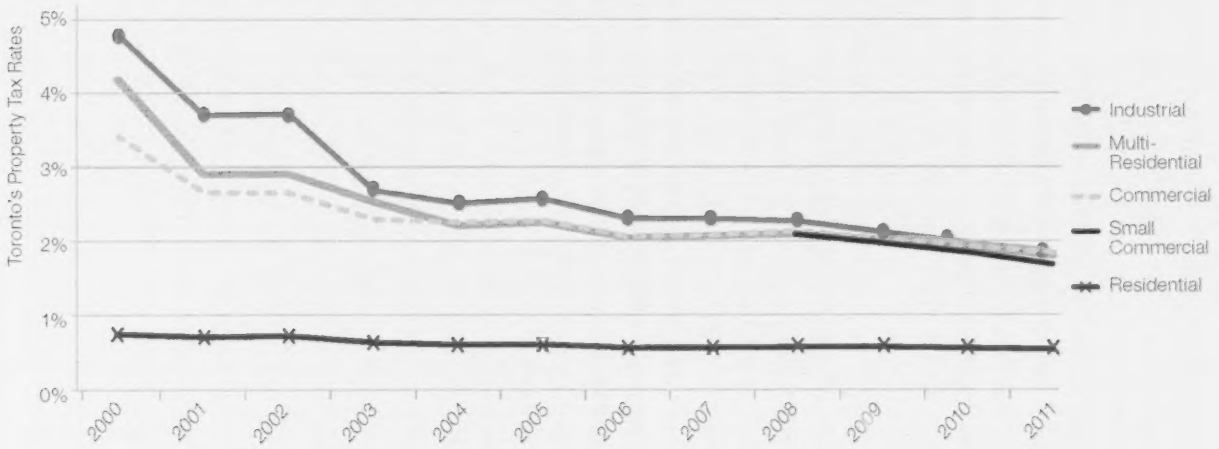
Toronto's Tax Ratios vs. Provincial Threshold Ratios

	Taxation Years											
	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	Provincial Threshold Ratios
Multi-residential	4.174	4.001	3.870	3.802	3.761	3.635	3.546	3.469	3.380	3.316	3.316	2.74
Commercial	3.798	3.513	3.516	3.762	3.802	3.674	3.584	3.506	3.373	3.267	3.237	1.98
Commercial Small								3.410	3.265	3.108	3.020	1.98
Industrial	5.301	4.120	4.120	4.273	4.273	4.090	3.920	3.740	3.547	3.375	3.237	2.63

Since 2004, the Ontario Government has enacted regulations that allow municipalities to adopt annual tax rate increases on the non-residential classes where the tax ratios exceed the provincial threshold ratios provided that the tax rate increases do not exceed 50% of the tax rate increase on the residential tax class. Although the relaxing of the restriction on non-residential classes is not permanent, it does provide partial relief from the budgetary levy restrictions imposed by Provincial legislation.

In late 2005 Council approved a comprehensive property tax policy "Enhancing Toronto's Business Climate - It's Everybody's Business" to improve the business climate in the City, and consequently in 2006 implemented the policy of allowing for up to one-third of any residential tax rate increase to be applied to the Commercial, Industrial, and Multi-Residential tax classes (i.e. a one percent non-residential tax increase for a residential tax increase of three percent), which would reduce its non-residential tax ratios to 2.5 times the residential rate over 15 years (by 2020). In addition the policy provides for an accelerated tax reduction for neighbourhood retail and small businesses that will see their tax ratios fall to 2.5 times residential within ten years (by 2015), as well as property tax relief measures for non-retail office, hotel and industrial developments.

BUSINESS TAXES HAVE BEEN REDUCED



Other City efforts to enhance competitiveness have resulted in a successful agreement with the provincial government to reduce business education tax (BET) rates for the City of Toronto businesses closer to the average of the surrounding GTA municipalities, creating a new, fair water rate structure for industrial and manufacturing companies and continuing the relief of development charges for the city's commercial industry.

Provincial legislation also mandates limits on re-assessment related tax increases to 5% per year for the commercial, industrial and multi-residential property classes, which for many properties in these classes may result in a phase-in towards their CVA level of taxes.

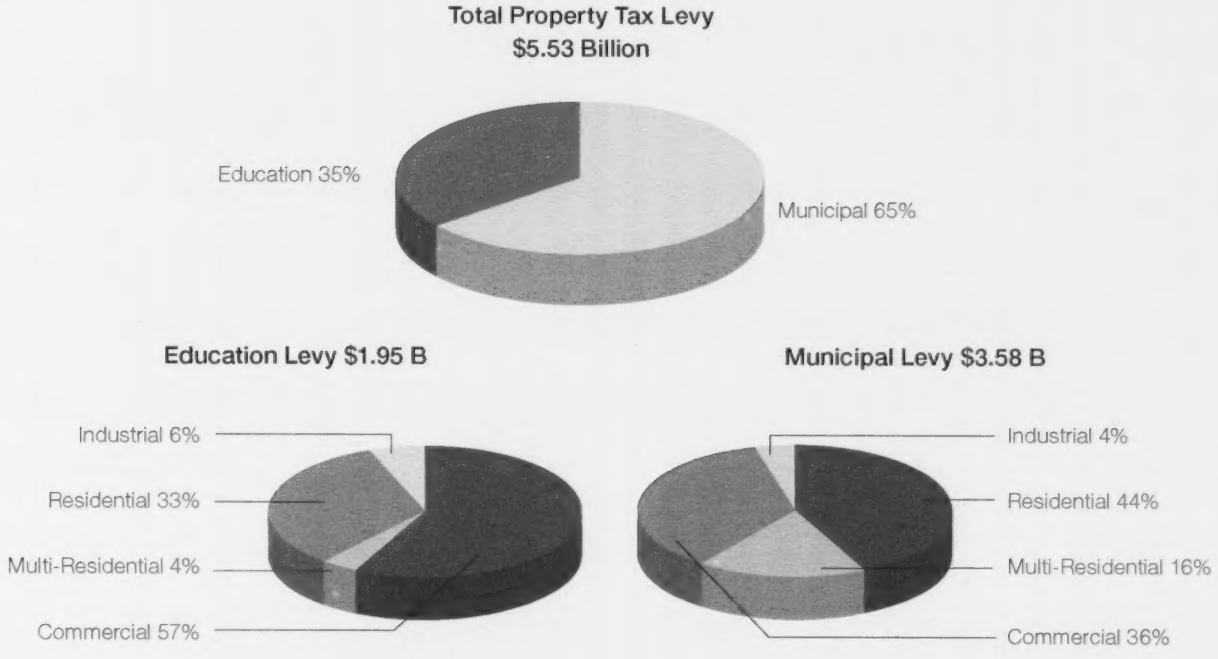
Special provisions to provide tax relief for low-income seniors and disabled persons, as well as registered charities and similar organizations, are also required.

Tax relief policies in effect for 2011 include:

- The cancellation of any tax increase for seniors aged 65 or older or disabled persons, living with a household income of $36,000 or less, who have occupied their home for at least one year, and the homes assessed value is less than $575,000.
- The interest free deferral of any tax increase for seniors aged 50 years or older or disabled persons, whose household income is $50,000 or less and have owned the property for at least one year.
- A 40% rebate of taxes paid for registered charities owning or occupying space in commercial or industrial properties.

The following chart shows the total approved 2011 property tax levy totalling $5.53 billion, comprising $3.58 billion (65%) for municipal purposes and $1.95 billion (35%) for education purposes which the City collects on behalf of the Province of Ontario. The approved amounts may be different than the actual amounts received.

TORONTO 2011 PROPERTY TAX LEVY



The table below illustrates the 2011 taxes payable for the average household in Toronto with an average assessed value of $427,177.

	2011 Tax Rate	2011 Property Tax
Municipal Purposes	0.5619218%	$2,400
Education Purposes	0.2310000%	$ 987
Total	**0.7929218%**	**$3,387**

USER FEES

User fees are the City's second largest source of revenue. Excluding Toronto Water and the Toronto Parking Authority, the City collects over $1.4 billion in user fee revenues annually through approximately 3,000 individual user fees.

As a result of a comprehensive User Fee Review in 2011, City Council approved a new corporate policy for establishing the initial and annual price of a user fee and determining the amount that should be recovered.

A new funding system for Solid Waste Management Services, the volume-based rate structure, was implemented November 1, 2008 to fund the service objective of 70% waste diversion. This funding plan transforms Solid Waste Management (garbage, recycling, green bin, litter prevention, landfill management and other diversion programs) from being property-tax-based to user fee-based, and its fees are now part of the Utility Bill, together with the water charges, that are sent to city residents and businesses. The entire Solid Waste Management program is now funded from revenue other than property taxes (including funding from Waste Diversion Ontario, sales proceeds from recyclable materials and user fees).

FUNDING TRANSFERS FROM OTHER GOVERNMENTS

The City receives grants and subsidies from other orders of government which are mainly for mandated programs such as Social Assistance, Child Care, Public Health, Social Housing, and Transit funding. These transfers represent about 19% of the total tax-and rate-supported Operating Budget.

OTHER TAXATION

The City of Toronto is the only Ontario municipality with the legislative authority (City of Toronto Act, 2006) to allow it to levy taxes other than property taxes. The Municipal Land Transfer Tax (MLTT) was implemented on February 1, 2008, and Personal Vehicle Tax (PVT) on September 1, 2008. In 2010, the two taxes brought in revenues in excess of $320 million, or approximately 3% of the total tax-supported Operating Budget. On December 16, 2010, however, City Council approved the termination of the City's Personal Vehicle Tax (PVT) effective January 1, 2011.

MLTT revenues continued to exceed expectations in 2011 as low mortgage rates helped to keep real estate sales strong in the City of Toronto. MLTT revenues matched the level of revenues brought in by both the MLTT and PVT in the previous year.

CREDIT RATING

The City of Toronto is recognized as an important participant in global financial markets. The maintenance of a high quality credit rating is essential to ensure that the City's ability to access the most cost-effective world capital markets will continue as it needs to borrow funds for capital purposes.

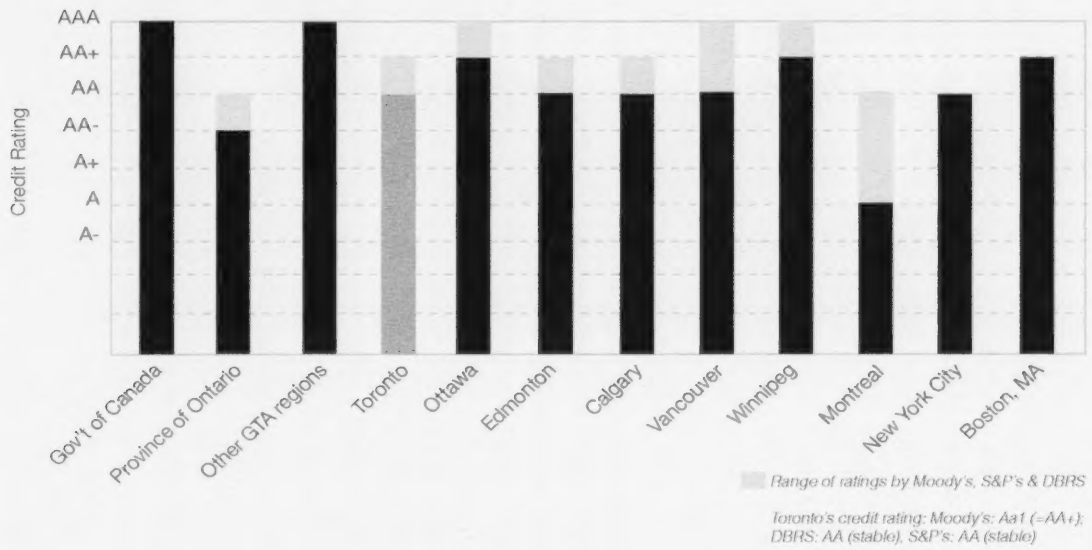
A municipality's credit rating helps to determine the ability to borrow funds. Credit rating agencies assess the City's financial position by comparing it with other cities and regions. A number of factors affect the credit rating, such as quality of management, strength of economy, level of reserves, state of repair of assets, debt levels, etc. If a municipality's current debt levels and future trends appear to be high, this will have a negative impact on its credit rating. If debt levels are considered low, this will have a positive impact. The rating essentially indicates the City's ability

to make payments on the debt now and in the future.

While the City's debt affects its rating, the rating affects the City's ability to borrow, as well as the cost of borrowing. A higher rating translates into a lower cost of borrowing, as well as a wider market for investors to invest in City debt. Below a certain rating, investors may have policies that don't allow them to purchase the City's debt. Then the City would have to offer a higher interest rate to attract investors.

The City's credit rating remains comparable to similar or larger North American cities such as New York, Boston, Vancouver and Montreal.

TORONTO'S CREDIT RATING



Toronto's credit rating: Moody's: Aa1 (=AA+); DBRS: AA (stable), S&P's: AA (stable)

Currently, the City of Toronto's credit ratings are:

- AA with a stable trend from the Dominion Bond Rating Service Ltd.(DBRS) – confirmed August 2011
- AA with a stable outlook from Standard and Poor's Canada (S&P's) – December 2009
- Aa1 with a stable outlook from Moody's Investor Service – confirmed April 2011
-

City of Toronto's Credit Rating History	1997	1998-2001	2002-2011
DBRS	AAA	AA (high)	AA
Standard and Poor's	AA+/AAA	AA+	AA
Moody's Investors Service	Aa2	Aa2	Aa1

Credit Rating agencies regularly issue reports respecting the industries and individual issuers. Here are some of the excerpts from those reports that generally explained the high rating held by the City of Toronto.

"DBRS has confirmed the ratings of the debentures issued by the City of Toronto (the City or Toronto) at AA. The trends remain Stable, supported by the City's relatively wealthy tax base and strong resolve at restraining spending and finding permanent solutions to eliminate the budget gap. However, debt remains under considerable pressure as a result of heavy capital spending, which is eroding financial flexibility and could affect the City's rating if increases are not contained.....Helped by spending discipline and unexpected revenue improvement, the City ended 2010 with an operating surplus of $554 million, notably above budget. However, elevated levels of capital investments led to a sizeable post-capex deficit of $685 million as calculated by DBRS, more than twice last year's level. Despite a considerable imbalance contemplated at the onset of its 2011 budget process, the City still managed to balance this year's fiscal plan (excluding capex) with the help of renewed cost containment efforts and the use of prior-year surpluses. The budget maintains service levels and leaves property taxes unchanged for the first time since 2000. Spending increases will be scarce, mostly for transit and police services, while City operations will see spending reductions owing in part to the extensive service review launched last year and aimed at reducing net expenditures by 5% in 2011 and an additional 5% in 2012. Expected to be completed this fall, the review will play a significant role in closing the $774 million preliminary gap besetting the 2012 budget process.....DBRS commends management for the thorough review underway, which is probably the most extensive cost containment effort undertaken by the City in recent memory."

DBRS, August 2011

"The City of Toronto's debt rating of Aa1 reflects the city's low debt burden and corresponding low debt service ratios, as well as the positive operating results recorded by the city over the past several years despite challenging financial circumstances which have necessitated the use of non-recurring measures to achieve balanced operating budgets. The high investment-grade rating also reflects a large and diversified economy, which remains a source of credit strength, providing access to a broad tax base. Moreover, the rating is supported by the city's high levels of net cash and investments, which provide substantial liquidity that could be tapped to mitigate unanticipated shocks, a considerable measure of safety for debenture holders. These high levels of internal liquidity are also reflected in the Prime-1 (P-1) rating assigned to its US commercial paper program."

Moody's Investors Service, May 2012

"The ratings on the City of Toronto, in the Province of Ontario (AA-/Negative/A-1+), primarily reflect Standard & Poor's Ratings Services' view of the following credit strengths: Toronto presides over an exceptionally broad and diverse economy, providing stability to its budgetary performance. Its primary wealth generating sectors, namely the financial, professional, scientific and technical service sectors, outperformed their counterparts in most other cities through the global credit crisis, maintaining fairly steady employment from 2007-2011...Debt and interest burdens are very low relative to those of Toronto's domestic and international peers in the 'AA' rating category. Its tax-supported debt was C$3.4 billion as of Dec. 31, 2011, equaling 38% of adjusted operating revenues. Its interest costs represented 3% of adjusted operating revenues in 2011...Toronto also maintains very positive liquidity, with free cash and liquid investments exceeding the next 12 months' debt service by more than 400%. The city's in-year cash flows are also relatively stable, thanks to its efforts to encourage residents to pay property taxes monthly. Its predictable property tax and user fee revenues, coupled with its stable expenditure profile, result in good visibility on near-term funding needs."

Standard & Poor's Ratings Services, August 2012

LONG TERM FINANCIAL PLAN UPDATE

The City of Toronto has a Long Term Financial Plan (LTFP), the goal of which is to ensure the City is in a sound financial condition and can finance services to the public and stakeholders on a sustainable basis. The City's vision for the Long Term Financial Plan is three-fold:

- Well managed — for service recipients
- Sustainable — for future generations, and
- Affordable — for current residents and businesses.

The Long Term Financial Plan was approved in 2005 and identified eight major financial issues relating to Expenditures, Revenues, and Assets & Liabilities, and contained 25 financial strategies, 17 fiscal principles and five financial policies. Since 2005, the City has made significant progress addressing the majority of those financial issues.

The following LTFP Scorecard summarizes the major financial issues identified in the 2005 Plan and the current status:

Scorecard (2005-2011)

Identified in the Long Term Fiscal Plan 2005	Current Status 2011	Score
Well Managed (Expenditures): • City has higher costs than surrounding municipalities • Demands for growth need to be adequately funded • Capacity to sustain services in an economic downturn	Costs "restrained"	✔
	Expenditures growth slowed significantly	✔
	Social Services & Court Security upload Restoration of full 50% funding on Ontario Works administration costs	✔
Affordable (Revenues): • Business taxes need to be more competitive • Revenue growth needs to match responsibilities/ growth • Province needs to properly fund income support programs and public transit	Improving business competitiveness	✔
	Revenues diversified - Provincial Upload on schedule; User Fees Enhanced	✔
	Secured permanent share of Fed/Prov. Gas Tax	✔
	Provincial 50% Transit Operating Funding	–
	Share of Harmonized Sales Tax	–
Sustainable (Assets & Liabilities): • Ageing infrastructure must be maintained • Employee benefits and other liabilities need to be adequately funded	10 year capital plan More than 60% to be spent on State of Good Repair	✔
	Debt increase mitigated	✔
	Sick Pay liability partially capped, but some liabilities still growing	✔

Legend

✔ Improving or compares favourably – Stabilizing or work in progress

PERFORMANCE MEASUREMENT AND BENCHMARKING RESULTS

To provide context when examining Toronto's performance, it is important to consider that municipal property taxes represent only 8.8 per cent of the total taxes, in all forms, paid annually by an average Ontario family. These various forms of taxes include income taxes, Employment Insurance and Canada Pension Plan premiums, consumption taxes such as the Harmonized Sales Tax (HST), and embedded taxes, which are included in the price of gasoline, liquor and tobacco. The discussion on Toronto's performance that follows is focused on how Toronto utilizes its 8.8 per cent share of the total tax dollar. Toronto's 2010 Performance Measurement and Benchmarking Report can be found at *www.toronto.ca/legdocs/mmis/2012/ex/bgrd/backgroundfile-46957.pdf*

The report includes:

- Service / activity level indicators and performance measurement results (efficiency, customer service and community impact) in 28 different service areas;
- Up to eleven years of Toronto's historical data to examine trends;
- A comparison of Toronto's 2010 results externally to 15 other municipalities through the Ontario Municipal CAOs' Benchmarking Initiative (OMBI), which now includes the Cities of Calgary and Winnipeg;
- Colour-coded summaries of results and supporting charts to describe those trends; and
- A description of 2011 achievements and planned 2012 initiatives that will further improve Toronto's operations in the future.

By examining our own operations and by working with other municipalities through OMBI, these processes encourage Toronto's service areas to continuously look for opportunities to improve operations and performance.

SUMMARY OF TORONTO'S 2010 PERFORMANCE MEASUREMENT & BENCHMARKING RESULTS

Toronto is unique among Canadian municipalities because of its size, density and role as Ontario's and Canada's economic engine and centre of Ontario's business, culture, entertainment, sporting and provincial and international governance activities. Despite these unique characteristics, there is value in making comparisons of performance measurement results to other municipalities to assist in understanding how well Toronto is doing. Through the OMBI partnership, performance measurement results are shared between municipalities and are included in Toronto's Benchmarking Report. Toronto's results are ranked and placed in quartiles relative to 15 municipalities that comprise OMBI, which now includes the Cities of Calgary and Winnipeg. OMBI's members are comprised of ten single-tier cities/counties and six regional or upper tier municipalities. Combined, the OMBI municipalities serve more than 10.12 million residents or 73 percent of Ontario's population.

The most accurate comparison for Toronto is to examine its own year-over-year performance and longer term historical trends.

By examining our own operations and by working with other municipalities through OMBI, these processes encourage Toronto's service areas to continuously look for opportunities to improve operations and performance. Many of these improvement efforts completed in 2011 or planned for 2012 are summarized in the report including:

- Initiatives to improve customer service
- Efficiency improvement initiatives
- Initiatives to improve effectiveness
- Initiatives to improve the quality of life for Torontonians

SUMMARY OF TORONTO'S RESULTS

The 28 municipal services included in the report each have a colour coded summary of results at the front of their respective sections, and are supported with and referenced to charts and detailed narratives for approximately 170 indicators and measures.

Highlights of Toronto's overall results described below:

Internal Comparison – Service/Activity levels indicators
Of the 42 service/ activity level indicators included in the report, Toronto's 2010 service or activity levels were maintained (stable) or increased for 86 per cent of the indicators in relation to 2009.

Examples of some of the areas in which Toronto's 2010 service levels or levels of activity increased were:

- Increased number of police officers
- Greater investment in childcare
- Increased investment in cultural activities
- Increased library hours
- Provided additional parking spaces
- Increased the amount of maintained parkland and trails
- Processed more planning applications and building permits with a healthier development climate

Internal Comparison – Performance Measures
Of the 126 performance measurement results of efficiency, customer service and community impact included in the report, 74 per cent of the measures examined had 2010 results that were either improved or stable relative to 2009.

Examples of areas where Toronto's 2010 performance improved include:

- Increased construction activity for both the residential and commercial, industrial and institutional (ICI) sectors, as well as increases in planning applications, both of which continued an upward trend in 2011
- Reduced the time required to resolve by-law complaints
- Increased attendance at cultural events
- Reduced rates of fires, and injuries and fatalities related to those fires
- Increased library usage and a lower cost-per-use
- Continued high rate of resident satisfaction in long term care home and a decreased cost per bed-day
- Continuing high rates of satisfaction of parks users
- Reduced cost of processing a planning application
- Decreased crime rates in all crime categories and improved the clearance rate for violent crimes
- Improved solid waste diversion rates for both houses and apartments and reduced the complaint rate for solid waste collection
- Increased the usage of registered sports and recreation programming
- Increased public transit trips per person, and the utilization rate (trips per vehicle-hour) of transit vehicles
- Improved the pavement quality of roads
- Reduced the time to process accounts payable invoices and increased the number of invoices processed per staff member
- High rates of meeting legislated timeframes for reviewing and issuing building permits and mandatory inspections that continued despite sustained high volumes
- Reduced the amount of tax arrears and the cost to maintain a tax account

- Reduced amounts of wastewater bypassing full treatment before release (does receive partial treatment and amounts to less than 0.4%)
- Reduced the average annual water use per household

EXTERNAL COMPARISON – SERVICE/ACTIVITY LEVEL INDICATORS

There are 51 service/activity level indicators included in the report where Toronto's results can be compared and ranked with other municipalities and placed in quartiles. Toronto's service/activity levels are higher than the OMBI median for 54 per cent of the indicators.

Between Toronto's 2009 and 2010 benchmarking reports, there was little change in Toronto's quartile ranking for each of the service/activity level indicators in relation to other municipalities. Any changes in Toronto's quartile ranking for individual indicators will likely only occur over much longer time periods.

Some of the key factors that influence Toronto's results for service/activity level indicators in relation to other municipalities include:

- Services where Toronto's size and high population density requires higher service levels, indicative of large densely populated cities, such as higher levels of police staff, more transit vehicle hours and a larger library collection
- Higher needs and demands in a large city like Toronto for social programs such as childcare, social assistance, social housing and emergency hostels/shelters
- Fewer facilities or less infrastructure can be required in densely populated municipalities like Toronto because of proximity and ease of access, while other less densely populated municipalities require proportionately more facilities or infrastructure to be within a reasonable travel distance of their residents. Examples include the number of recreation facilities, libraries and kilometres of roads
- Fewer emergency services vehicle-hours may be required in densely populated municipalities like Toronto because of the close proximity of vehicles and stations to residents, which allows for more timely emergency response. Those municipalities with lower population densities may require proportionately more vehicle hours in order to provide acceptable response times.

EXTERNAL COMPARISON – PERFORMANCE MEASURES

There are 117 measures of efficiency, customer service and community impact in the report where Toronto's results can be compared and ranked with other municipalities and placed in quartiles.

Toronto's results are higher than the OMBI median for 49 per cent of the measures. Between Toronto's 2009 and 2010 benchmarking reports, there was very little change in Toronto's quartile ranking for each of the performance measures in relation to other municipalities. Changes in Toronto's quartile ranking for individual measures are more likely to occur over a five year period or longer.

Areas where Toronto has the top/best result of the OMBI municipalities include:

- Highest pavement quality rating for our roads system
- Highest rate of public transit usage
- Lowest rate of residential fire-related injuries
- Lowest rate of youth crime

- Highest revenue generated per off-street and on-street parking space
- Highest solid waste diversion rate for houses

There are many other examples where Toronto's performance is better than other OMBI median including:

- Low rate of governance and corporate management costs of single-tier municipalities
- Better rate of leveraging City grants by recipient arts organizations (to access other revenue sources)
- Higher rate of return on investments and lower costs to manage those investments
- High library usage rates
- A higher proportion of the city's geographic area is parkland
- Shorter emergency response times than in many other municipalities
- Lower cost to administer a social housing unit
- Lower total and property crime rates
- High rate of resident satisfaction in long term care homes and a lower cost per bed-day
- Low rate of property tax arrears
- Second highest rate of building/ construction activity behind only Calgary and a lower cost to enforce the building code per $1,000 of construction value
- Higher rate of new residential housing units created

OTHER METHODS OF ASSESSING TORONTO'S PROGRESS

Toronto's award winning initiatives

In 2011 Toronto's initiatives received numerous awards from external organizations for initiatives such as, Toronto's Walking Strategy, Toronto's innovative efforts to engage the community in water conservation, Toronto's Dinesafe Restaurant Inspection and Disclosure Program and Toronto's new Browser application *www.toronto.ca/council* for improving access to local government through the use of technology.

Further information on Toronto's award-winning initiatives can be found at *www1.toronto.ca/wps/portal/toronto/landing?vgnextoid=ef1c439c7395f210VgnVCM1000003dd60f89RCRD.*

Other Report Cards and Indicator reports

Toronto's Benchmarking Report focuses on performance measurement results in specific service areas; however it is by no means the only type of reporting conducted by Toronto in this area. Links to other indicator reports issued by the City of Toronto or in association with the City, are noted below:

- Management Information Dashboard (Quarterly): *www.toronto.ca/legdocs/mmis/2012/ex/bgrd/backgroundfile-45690.pdf*
- Wellbeing Toronto (Neighbourhood Indicators): *http://map.toronto.ca/wellbeing/*
- Economic Indicators: *www.toronto.ca/business_publications/indicators.htm*
- Toronto Community Health Profiles: *www.torontohealthprofiles.ca/*
- Children's Report Card: *www.toronto.ca/reportcardonchildren*
- Federation of Canadian Municipalities: *www.fcm.ca/home/resources/reports.htm*
- Vital Signs (Toronto Community Foundation): *www.tcf.ca/vitalinitiatives/vitalsigns.html*

GLOBAL CITY INDICATORS

In November 2005, Toronto staff joined with World Bank officials in an initiative to develop an integrated approach for measuring and monitoring the performance of cities. The objective of this initiative was to develop a standardized set of city indicators that measure and monitor city performance and quality of life at a global level.

This initiative will benefit Toronto by expanding its current benchmarking work beyond Ontario and Canada to include other large international cities.

The indicators cover a total of 22 theme areas. Eight of the themes relate to quality of life indicators such as civic engagement, culture, economy and the environment. Fourteen of the theme areas relate to city services and are designed to capture the service levels or amount of resources each city devotes to delivery of the service and the outcomes or impacts of that service on the city. Examples of service areas included are fire services, recreation services, police services, social services, solid waste management services, water and wastewater services.

As of March 2012, there were 171 cities in 61 countries represented in the Global City Indicators Facility, which included members from:

- Australia - Melbourne
- Brazil – Sao Paulo, Belo Horizonte, and Porto Alegre
- Canada – Montreal, Toronto and Vancouver
- Chile – Santiago
- Columbia – Bogotá and Cali
- England – Birmingham
- Finland – Helsinki
- France – Paris
- Indonesia – Jakarta
- India – Mumbai
- Italy – Milan
- Iran – Tehran
- Israel – Tel Aviv
- Jordan – Amman
- Netherlands – Rotterdam
- Peru – Lima
- Portugal – Lisbon
- South Africa – Cape Town, Johannesburg and Durban
- Spain – Madrid and Barcelona
- United Arab Emirates – Dubai
- USA – King County (Regional Seattle), Portland and Dallas

Toronto is seen as a leader in this initiative, proactively providing measures and indicators to benchmark service delivery and quality of life. The ability to compare and benchmark internationally and to establish and share better practices through the available networks can be invaluable.

For further information on Global Cities Indicators Facility, please visit *www.cityindicators.org.*

CONCLUSION

The City continues to promote a continuous improvement culture in order to provide our citizens and businesses with services that are as efficient and effective as possible, looking for the optimal combination of efficiency, quality and beneficial impact on our communities.

For additional information on the City of Toronto's progress please visit our website *www.toronto.ca/progress.*

TREASURER'S REPORT

The Consolidated Financial Statements are intended to provide Council, the public, the City's debenture holders, and other stakeholders, an overview of the state of the City's finances at the end of the fiscal year and indicate revenues, expenses and funding for the year.

The preparation, content and accuracy of the Consolidated Financial Statements and all other information included in the financial report are the responsibility of management.

As required under Section 231 of the *City of Toronto Act*, the financial statements are prepared in accordance with generally accepted accounting principles as set by the Canadian Institute of Chartered Accountants' (CICA) Public Sector Accounting Board (PSAB).

These Consolidated Financial Statements have been audited by PricewaterhouseCoopers LLP whose role is to express an independent opinion on the fair presentation of the City's financial position and operating results and to confirm that the statements are free from material misstatement. The external auditor's opinion is to provide comfort to third parties that the financial statements can be relied upon.

CONSOLIDATED FINANCIAL STATEMENTS

The Consolidated Financial Statements include the following individual statements:

Name	Purpose
Consolidated Statement of Financial Position	Summarizes the assets (financial and non-financial), liabilities, net debt, and accumulated surplus as at December 31st.
Consolidated Statement of Operations and Accumulated Surplus	Outlines revenues, expenses, surplus for the year and accumulated surplus at year end. This statement reflects the combined operations of the operating, capital, reserves and reserve funds for the City and its consolidated entities, and provides the calculation of the City's accumulated surplus at year end.
Consolidated Statement of Net Debt	Outlines the changes in net debt as a result of annual operations, tangible capital asset transactions, as well as changes in other non-financial assets.
Consolidated Statement of Cash Flows	Summarizes the City's cash position and changes during the year by outlining the City's sources and uses of cash.

The Consolidated Financial Statements combine the financial results of the City's divisions with the financial results of the agencies, boards, commissions ("ABCs") and government business enterprises that the City effectively controls. There are 113 entities that are directly included in the financial statements and these are listed in Note 1 to the Consolidated Financial Statements. There are also a number of subsidiaries of ABCs which are not included in the entity count above. The notes to the statements provide further detail about the City's financial results and are an integral part of the statements.

Consolidated Statement of Financial Position

The Consolidated Statement of Financial Position is the municipal equivalent of the private sector's balance sheet. This statement focuses on the City's assets (financial and non-financial) and liabilities. The difference between the liabilities and financial assets is the City's net debt, which represents the net amount that must be financed from future budgets.

The detailed breakdown of the accumulated surplus, including all of its components: amount invested in capital assets; operating fund, capital fund, reserve and reserve fund balances; and amounts to be recovered from future revenues, are reflected in Note 17 to the Consolidated Financial Statements.

The City has received funds for specific purposes under legislation, regulation or agreements. The recognition of these funds as revenues has been deferred until related expenses occur in the future. For example, development charges, parkland dedication fees and Federal and Provincial Government transfers received (such as public transit funding), are not recognized as revenues until such time as the projects are constructed. These restricted funds are included in liabilities as "Deferred Revenue" and not in the accumulated surplus. A breakdown of the City's obligatory reserve funds can be found in Note 8 (a) to the Consolidated Financial Statements.

As a result of the significant investment in tangible capital assets, there is a large accumulated surplus, which occurs at the same time that the City has a significant net debt, which must be financed through future revenues. Although tangible capital asset balances are considerable for municipalities – much larger on a percentage basis than any other level of government – they do not provide liquidity, and are not typically available for sale, the proceeds of which could be used for other purposes. It is for this purpose that tangible capital assets are not included in the calculation of net debt, arguably the most important financial statistic for governments.

Consolidated Statement of Operations and Accumulated Surplus

The Consolidated Statement of Operations and Accumulated Surplus is considered to be the municipal equivalent to the private sector's Statement of Income and Retained Earnings.

The Consolidated Statement of Operations and Accumulated Surplus provides a summary of the revenues, expenses, and surplus throughout the reporting period and outlines the change in accumulated surplus.

The 2011 budget values presented in this statement have been adjusted to reflect the differences between amounts as budgeted at the City on a modified "cash requirements" basis and amounts recorded in these financial statements on a "full accrual" basis. Note 18 outlines the adjustments to the approved budget, particularly exclusion of debt proceeds, principal payments, and tangible capital asset purchases, and inclusion of estimated amortization expense. These adjustments to budgeted values were required to provide comparative budget values based on the full accrual basis of accounting. The accrual based budget results in a surplus, as the City must fund reinvestment in assets at amounts greater than their historical cost.

Consolidated Statement of Net Debt

The Consolidated Statement of Net Debt is unique to governments. This statement focuses on the debt of the City, adjusting the annual surplus for the impact of tangible capital assets: mainly deducting the costs to acquire assets, and adding back amortization charged during the year.

New in 2011

During 2011, the City established 2 new corporations:

- Casa Loma Corporation (CLC); and,
- Lakeshore Arena Corporation (LAC).

A board was established for each of the two new corporations to oversee operations and examine strategic alternatives for the sale or retention and operation of these facilities. As a result, additional long-term debt of $39.5M has been added to these consolidated financial statements as the City assumed control over the Lakeshore Arena and assumed the debt previously guaranteed by the City for the development of this facility.

Also in 2011, management determined that Toronto Port Lands Company (TPLC) now qualified as a government business enterprise based on the company meeting all four of the required characteristics:

1. It is a separate legal entity;
2. It has been delegated financial and operational authority to carry on a business;
3. It sells goods and services to individuals and organizations outside the government reporting entity (i.e. not

to the City or its ABCs) as its principal activity; and,

4. It can, in the normal course of operation, maintain its operations and meet its liabilities from revenues received from sources outside of the government reporting entity.

Previously, with the creation of Build Toronto and Invest Toronto, and the movement of the incubator programs to Economic Development, there was doubt as to whether TPLC was able to meet point four above. However, based on its surplus recognized in 2010, its expectation of ongoing income, and its revaluation of its environmental liabilities, TPLC is expected to qualify for all four points above for the foreseeable future.

In addition, the Public Sector Accounting Board (PSAB) required the conversion of two of the City's four GBEs to International Financial Reporting Standards (IFRS). Adoption of IFRS has resulted in the revaluation of TPLC's tangible capital assets at fair value. This has resulted in a significant increase to the investment in GBEs, as detailed further in this report and in Note 5 of these consolidated financial statements.

FINANCIAL CONDITION

An important measure of any government's financial condition is its net debt: calculated as liabilities (e.g. trade and employment payables, mortgages and debentures) less financial assets (e.g. cash, receivables, and investments).

The City's net debt as at December 31, 2011 increased by $26M to $4.41B (2010 - $4.39B). This increase is due primarily to the City's considerable investments in tangible capital assets, offset by a higher annual surplus for 2011 resulting from higher earnings from GBEs, as well as the impacts from reclassification of Toronto Port Lands Company as a GBE. For more information on the change in Net Debt, please refer to the Consolidated Statement of Change in Net Debt and Note 5 of the Consolidated Financial Statements.

The City's net long-term debt (Note 12) increased by $374M (2010: $91M) primarily due to new net long term debt issuances of $736M (2010: $965M) offset by net long-term debt repayments of $295M (2010: $821M) and interest earned on sinking funds of $67M (2010: $53M). Debt repayments in 2011 were less than in 2010 as $600M, primarily from the sale of the Toronto Hydro note, was invested in sinking funds in 2010.

The following debt was issued in 2011:

$ 000s	Total	≤ 5 Yrs	10 Year	15 Year	20 Year	25 Years	30 Year
Summary by Service							
Protection	47,677	–	47,677	–	–	–	–
General Government	57,894	–	37,894	–	–	–	20,000
Transportation	108,056	–	58,056	–	–	–	50,000
TTC	401,373	–	56,373	–	–	–	345,000
Planning & Devt	35,000	–	–	–	–	–	35,000
Lakeshore Arena	39,545	39,545	–	–	–	–	–
Social Housing	46,040	–	–	10,200	9,900	25,940	–
	735,585	**39,547**	**200,000**	**10,200**	**9,900**	**25,940**	**450,000**

In order to improve the City's net debt position, the City continues to implement its Long Term Fiscal Plan. Some key measures included in the plan are: tax policies which enhance economic competitiveness and improve Toronto's business climate, utilization of user rate adjustments for environmental and cost control purposes, and working with

the Province to continue and expand the upload of social service program costs.

While the debt financing has grown and will continue to grow due to state of good repair funding requirements and increased focus on improving public transit, the City's updated Capital Plan, inclusive of enhanced federal and provincial funding, combined with the recent approval of the long-term debt restructuring strategy, ensures a solid financing plan is in place for the next five years.

The positive effects of implementing these financial plans are reflected in the City's AA and Aa1 (Moody's) independent credit ratings.

Another key indicator of a government's financial condition is the amount that must be recovered from future revenues as included in Note 17 of Consolidated Financial Statements. These liabilities include TCHC mortgages, debentures, employee benefit liabilities, property and liability claim provisions, landfill liabilities and environmental liabilities. In 2011, the total amount that must be recovered from future property taxes and other revenues grew by $619.5M to $7.21B. This increase mainly consists of:

- an increase of $187.2M in employee benefits liabilities, due primarily to the drop in the discount rate;
- an increase of $88.6M in other liabilities, mainly property and liability claims provision as a result of the discount rate decrease; and
- an increase of $343.7M in mortgage and long term debt, due primarily to increase in the amount of debt issued.

Table 1 outlines the trend in financial asset and liability growth over the last five (5) years.

Table 1

Net Debt – 5 Year Summary

(in thousands of dollars)

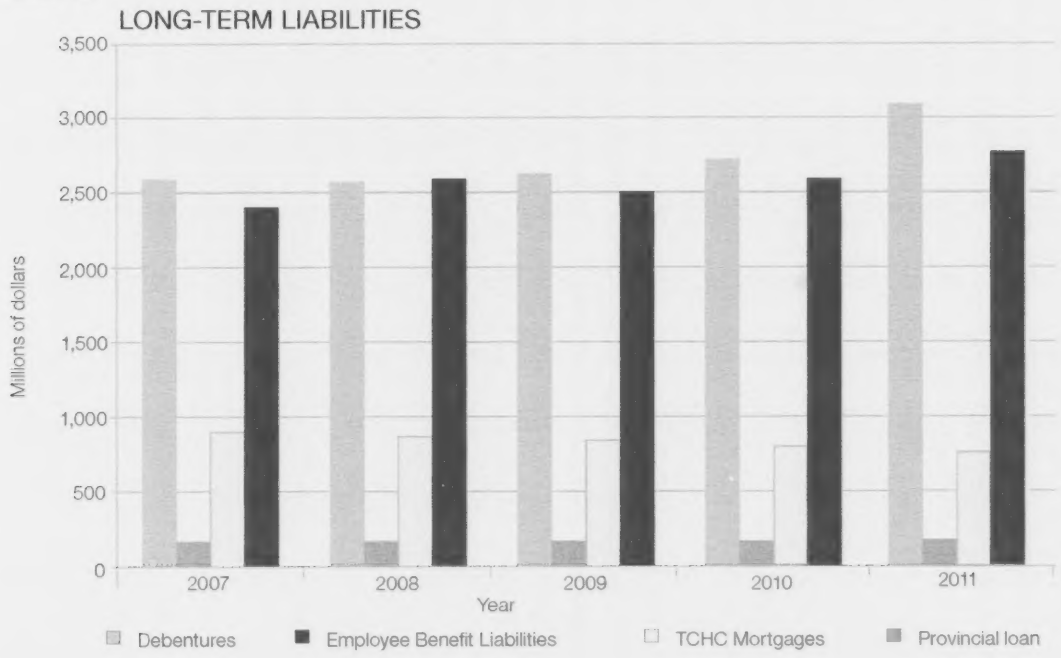
Net Debt ($000s)	4 Year Average Annual Increase	2011	2010	2009	2008	2007
Liabilities	4.95%	11,684,379	10,899,622	10,392,487	10,647,259	9,631,062
Financial assets	2.53%	7,273,083	6,513,984	6,728,291	7,109,217	6,580,328
Net Debt	**9.66%**	**4,411,296**	**4,385,638**	**3,664,196**	**3,538,042**	**3,050,734**
Percentage Increase		**0.59%**	**19.69%**	**3.57%**	**15.97%**	

The City's net debt has increased by a compound annual rate of 9.66% over the last four years, attributable to increases in long-term debt to third parties and in long-term employee benefit liabilities.

The significant growth in long-term debt has been driven mainly by the need to finance transit capital expenditures. The growth of employee benefit liabilities has been driven significantly by declines in the discount rate, an aging demographic (employees and retirees), increased utilization of the plan, increased cost of drugs and services and de-regulation of government sponsored benefits which are transferred to private benefit plans. Council has contained some of the growth of this liability through collective bargaining, including eliminating the vested sick leave plan for new employees for Local 79 and 416 hired after July 31, 2009.

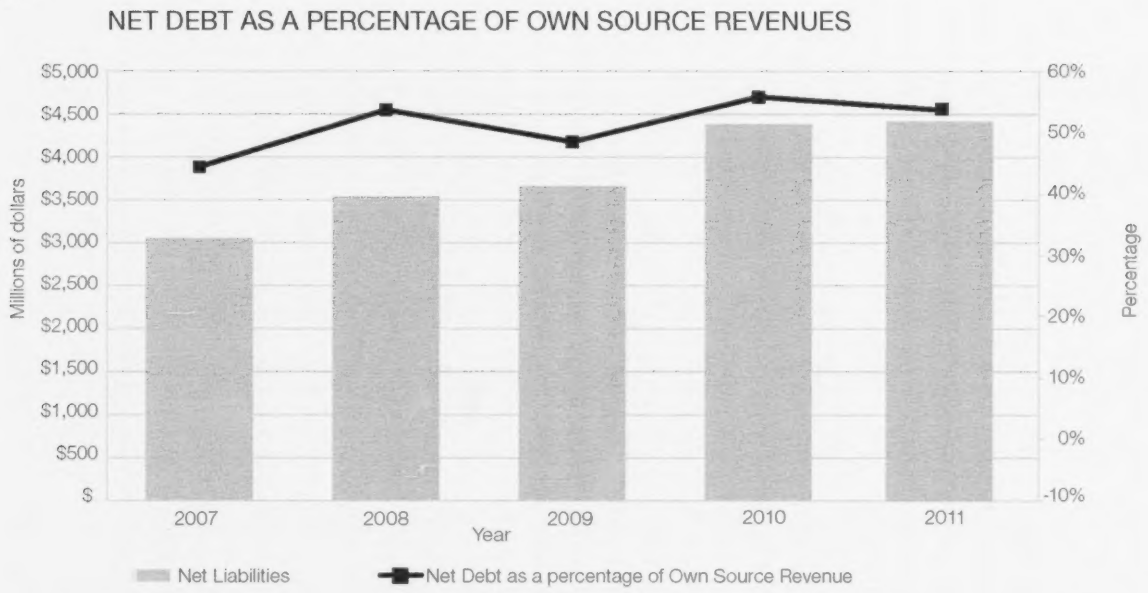
Chart A provides the breakdown of long-term liability growth by debt type.

Chart A



Information on the mortgage liabilities of TCHC is provided in Note 11, the provincial loan and the City's debenture debt is outlined in Note 12, while further detail about the City's employee benefit liabilities is provided in Note 13 of the Consolidated Financial Statements.

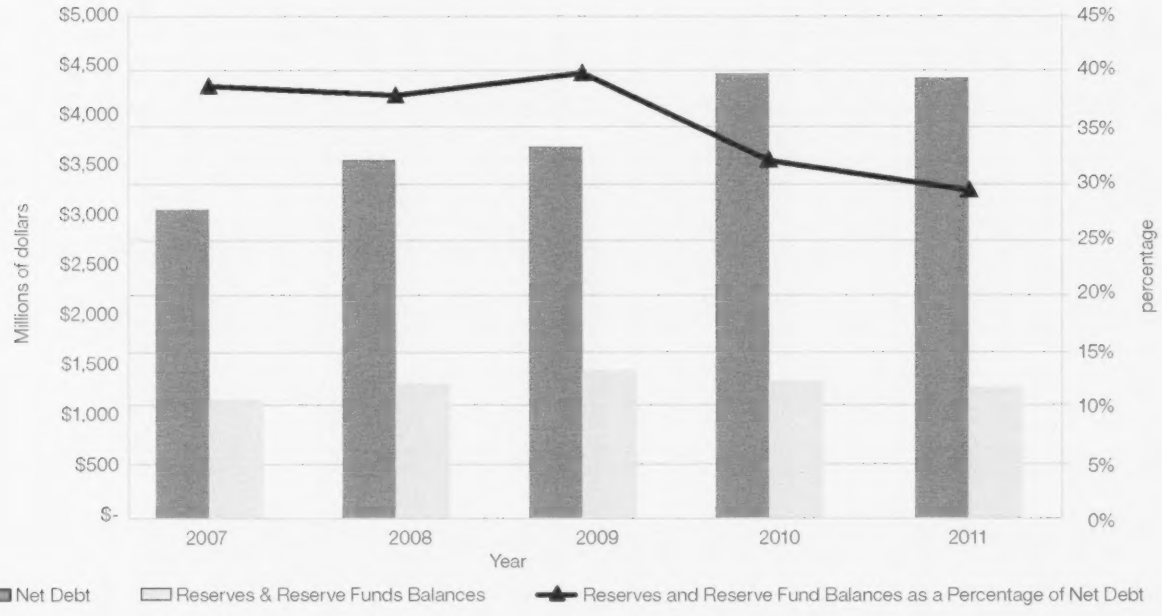
Chart B



To put the City's net liability into a different context, Chart B expresses the net debt as a percentage of the City's own source revenues (excluding government transfers and earnings from investment in government business enterprise (GBEs). The net liability as a percentage of own source revenues has grown from 46.6% to 55.1% over the last five years.

Chart C

DISCRETIONARY RESERVES AND RESERVE FUND BALANCES AS A PERCENTAGE OF NET DEBT



The City's net debt substantially exceeds the City's reserve and reserve fund balances as shown in Chart C. The vast majority of the reserves and reserve funds are committed to fund capital projects identified in the ten year capital plan, and future known liabilities, leaving only a small portion available for discretionary spending. Also, the current balances of some reserve funds (e.g. Employee Benefits) provide only a small portion of the funding to cover the future obligations for which they have been set aside.

The balances of all the Obligatory Reserve Funds are restricted for specific purposes as designated by legislation or contractual agreements and all capital reserves/reserve funds are required to replace and maintain capital assets.

If the Obligatory Reserve Funds were included in Chart C, then the Reserve and Reserve Fund Balances would be 55.3% of Net Debt (2010: 55.9%).

For financial statement purposes, PSAB requires that Obligatory Reserve Fund balances (such as development charges and unspent provincial public transit funding) be classified as deferred revenue (Note 8 (a) of the Consolidated Financial Statements). As a result, the reserve and reserve fund balances in the financial statements (Note 17), are lower than those included in staff reports to the Budget Committee and Council.

ANALYSIS OF KEY ASSET AND LIABILITY ACCOUNTS

Accounts Receivable

Accounts receivable balances increased $154.8M in 2011. The increase consists primarily of the following:

- higher receivable from Government of Canada ($61.7M) due to the following:

	($ millions) Increase (Decrease)
Federal Gas Tax	77.2
Toronto York Spadina Subway Extension (TYSSE)	26.9
Infrastructure Stimulus Funds	25.1
Union Station Project – Transport Canada contribution	9.3
Canada Strategic Infrastructure Fund (CSIF)-claims submitted not yet paid	6.5
G20 Summit Expenses – received in 2011	(67.0)
Harmonized Sales Tax (HST) Rebates	(15.2)
Other increases and decreases	(1.1)
Total	**61.7**

- higher receivable from Government of Ontario ($78.3M) due primarily to the following:

	($ millions) (Decrease)
Transit City – Light Rail Vehicle (LRV) Funding	46.3
Ministry of Transportation – Move Ontario (York Spadina Extension)	27.7
Other increases and decreases	4.3
Total	**78.3**

- decrease in receivable from York Region ($13.7M) due primarily to higher receivable from York Region for their subway contribution ($12.7M) offset by timely collection for Capital cost sharing ($27M) for water infrastructure.

- increase in Water fees receivable is primarily attributable to average increase in water rates of 9% which resulted in higher receivable and higher accrual amount at year end.

The breakdown of accounts receivable at December 31, 2011 with 2010 comparatives is as follows:

	(in thousands of dollars)	
Accounts Receivable	**2011**	**2010**
Government of Canada	316,131	254,476
Government of Ontario	228,338	149,997
Other municipal governments	26,346	40,065
School board	9,382	1,786
Utility fees	133,565	115,205
Other fees and charges	461,046	458,482
Total	**1,174,808**	**1,020,011**

Taxes Receivable

Taxes receivable consists of all outstanding taxes, items that have been added to the tax roll (such as utilities arrears, drainage charges, and local improvement charges), accumulated penalties and interest charges, net of an allowance for uncollectible taxes. A breakdown of this receivable is noted below:

	(in thousands of dollars)	
Taxes Receivable	**2011**	**2010**
Current year	171,704	220,077
Prior year	29,981	36,453
Previous years	32,559	31,140
Interest/penalty	38,317	39,811
Less: allowance for doubtful accounts	(28,352)	(27,094)
Net receivables	**244,209**	**300,387**

Other Assets (Note 3)

Other assets comprised mainly of loans receivable from various organizations. Other Assets increased by $5M to $129M (2010: $124M) due primarily to:

- TCHC advancing an additional $29.3M to Parliament and Gerrard Development Corporation (PGDC) for financing the pre-development costs of condominium buildings; offset by
- Decrease in TCHC loans recoverable from Dundas and Parliament Development Corporation ("DPDC") for $23.9M.

Investments (Note 4)

Investments increased by $201M to $3.5B (2010: $3.3B) due primarily to additional funds received from the Provincial Government for Transit Expansion, Toronto York Spadina Subway Extension and increased development charges funds.

Investment in government business enterprises (GBEs) (Note 5)

Investment in government business enterprises increased by $456M due primarily to increases in GBE earnings resulting from the reclassification of Toronto Port Lands Company as a GBE effective January 1, 2011.

Additional information regarding the City's GBEs as at December 31, 2011, including 2011 transactions for all GBEs

with the City and condensed financial results, are provided in Note 5 and Appendix 1 to the Consolidated Financial Statements.

Accounts Payable (Note 7)

The breakdown of accounts payable and accrued liabilities at December 31, 2011 with 2010 comparatives is as follows:

	(in thousands of dollars)	
Accounts Payable	**2011**	**2010**
Local Board trade payables	637,463	533,279
City trade payables and accruals	905,022	1,055,288
Payable to school boards	260,470	182,805
Provision for tax appeals & rebates	487,309	452,766
Credit balances on property tax accounts	41,657	57,852
Wages accruals	203,992	161,537
Total	**2,535,913**	**2,443,527**

- Local board trade payables were higher in 2011 primarily due to increases in Toronto Transit Commission (TTC) trade payables for $105.7M.
- City trade payables and accruals are lower ($150.3M) due primarily to the following:

	(in millions of dollars)
	Increase (Decrease)
Trade Payables	(105.5)
Holdbacks for construction contracts	(36.5)
Other increases and decreases	(8.3)
Total	**(150.3)**

- Payable to school boards was higher ($77.7M) in 2011 primarily due to higher net tax levy for Toronto District School Board of $90.7M offset by payment of Education Development charges to School Board in 2011 of $13.4M.
- The provision for tax assessment appeals increased by approximately $34.5M primarily as a result of unprocessed pending assessment appeals, and vacancy, charitable and heritage rebates.
- Credit balances on property tax accounts were lower ($16.2M) due to refunds being issued throughout the year thus reducing the outstanding credit balance.
- Wage accruals were higher by $42.4M as an additional day's pay was accrued in 2011 ($4.2M), accrual for outstanding settlements ($21.7M) and an additional accrual due to amounts payable in 2012 from the voluntary separation program agreements signed in 2011 ($16.5M).

Deferred Revenue (Note 8)

Deferred Revenue increased by $73M to $1.51B (2010: $1.44B) primarily as a result of:

- increase in funds received for Development Charges, Building Code and Planning Act of $104.5M;
- increase in Obligatory Reserve Funds of $28.2M for Water & Wastewater due to higher contributions as compared to withdrawals for capital purchases;
- increase in deferred building permit revenues of $10.2M – based on examination of work outstanding at December 31;
- funds received from MetroLinx in payment for their portion of future ownership of Union Station of $28.4M; offset by a
- decrease in Obligatory Reserve Funds of $101.6M for Public Transit due to withdrawals for transit capital purchases.

Other Liabilities (Note 9)

Other Liabilities increased by $78.7M to $555.7M (2010: $477M), mainly as a result of:

- an increase in the property and liability claims provision ($77.4M);
- increases in Toronto Transit Commission (TTC) unsettled accident claims ($14.9M);
- increase in Toronto Transit Commission (TTC) environmental liabilities ($7.2M);
- increase in Build Toronto environmental liabilities ($20M);
- increase in liability for Toronto Police Services for OMERS ($5.4M) due to the timing of payment of the liability; offset by
- decrease in Toronto Port Lands Company (TPLC) environmental liabilities ($47.7M).

Net Long-Term Debt, excluding TCHC Mortgages (Note 12)

Net long-term debt increased by $373.7M to $3.26B (2010: $2.89B) as follows:

	(in millions of dollars)
	Increase (Decrease)
Issuance of Debt – City	670.1
– TCHC	25.9
– Other ABC's	39.5
Debt Repayment – City	(202.7)
Debt Repayment – TCHC	(92.0)
Interest earned on sinking funds	(67.1)
Total	**373.7**

Employee Benefit Liabilities (Note 13)

Employee benefits liabilities represent the amount payable to employees or third parties in future years for services that were rendered by the employees in the current or past years. These amounts represent amounts payable for items such as workers compensation, health care benefits for early retirees, and pensions for those retirees covered by the City's legacy pension plans. An actuarial valuation is undertaken every three years to calculate the liability, estimating expected future costs and then calculating the present value based on the applicable municipal bond rate (the discount rate) as at December 31, in accordance with PSAB standards. Employee benefits liabilities were projected, with the same assumptions and methods as those used in the December 31, 2010 valuation, with the exception of the discount rate. To reflect the very low interest rates at December 31, 2011, the discount rates dropped approximately 0.9% from the previous valuation, increasing the liability. As a result of this valuation, the gross employee benefits liability (identified as "Total employee accrued benefit obligation" in Note 13 of the Consolidated Financial Statements) increased by $504M to $3.18B (2010 - $2.67B), and the unamortized actuarial loss increased by $317M to $403M, resulting in a net increase in the liability of $187M.

The net employee benefit liability increase of $187M to $2.77B (2010 - $2.59B) is primarily due to the low discount rate. The increase by category is as follows:

- increase in the non-OMERS pension plan liabilities ($95M);
- increase in sick leave benefits ($45M);
- increase in workers' compensation benefits ($49M);
- increase in post-employment benefits ($315M); offset by an
- increase in unamortized loss ($317M) due to the revaluation.

Tangible Capital Assets (Note 14)

Note 1 to the consolidated financial statements outlines the significant accounting policies including an overview of the policy for recording tangible capital assets. In short, tangible capital assets are recorded at cost and amortized over their useful lives.

The breakdown of tangible capital assets, as well as accumulated amortization, as at December 31, 2011 with 2010 comparatives, is presented in Note 14 and Schedule 1. Tangible capital assets by entity are presented in Appendix 4.

During the year, consolidated asset additions totalled $2.1B, with the most significant portion being building and building improvements of $490M. This consists of $154M at the TCHC, $210M at the TTC, $19M at the Toronto Public Library, $3M at Build Toronto, $39M at the Lakeshore Arena Corporation, $26M at the Toronto Police Services and $39M at the City.

During the year, amortization of tangible capital assets decreased by $204M to $814.5M (2010- $1.02B), mainly as a result of a decrease in TTC amortization of $230M.

Consolidated Expenses

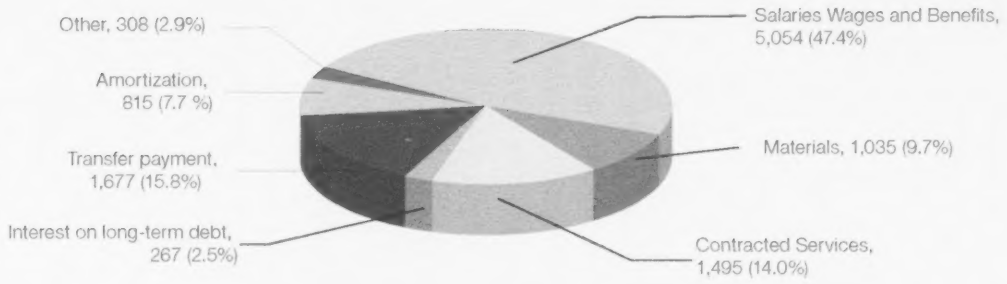
Gross consolidated expenses for 2011 totalled $10.65B (2010: $10.54B). The increase was generated largely by inflationary increases (wages, materials and contracted services), increased employee benefit liabilities and increased interest charges on long-term debt.

Chart D breaks down the gross expenses by cost object. Salaries, wages and benefits accounted for the largest portion at 47.4% of the total amount. It should be noted that principal re-payments on debt are not included as they are considered financing transactions for accounting purposes and are not considered expenses.

Chart D

EXPENDITURES BY OBJECT – CURRENT OPERATIONS

(in millions of dollars)


Other, 308 (2.9%)
Amortization, 815 (7.7 %)
Transfer payment, 1,677 (15.8%)
Interest on long-term debt, 267 (2.5%)
Salaries Wages and Benefits, 5,054 (47.4%)
Materials, 1,035 (9.7%)
Contracted Services, 1,495 (14.0%)

Note 20 to the Consolidated Financial Statements provides a consolidated (operating and capital) summary of expenses by object.

Table 2 provides a comparison of 2011 Consolidated Net Revenue by program versus budget, and also shows 2010 actuals. The table also provides a comparison of expense by type or category of service.

Table 2

Consolidated Net Revenue by Program

(in thousands of dollars)

	2011 Budget	2011 Actual	Difference	Change	2010 Actual
Revenues					
Property Taxation	3,762,308	3,907,433	145,125	3.7%	3,859,765
Taxation from other governments	91,781	98,596	6,815	6.9%	108,656
User Charges	2,634,516	2,632,476	(2,040)	(0.1%)	2,529,093
Funding transfers from other governments	3,403,246	3,148,351	(254,895)	(8.1%)	3,173,242
Government Business Enterprise Earnings	–	188,041	188,041	100%	153,294
Investment Income	154,581	248,397	93,816	37.8%	265,990
Development Charges	154,072	94,952	(59,120)	(62.3%)	92,162
Rent and Concessions	351,559	386,073	34,514	8.9%	372,959
Other	742,067	641,531	(100,536)	(15.7%)	540,861
Total	**11,294,130**	**11,345,850**	**51,720**	**0.5%**	**11,096,022**
Expenses					
General Government	1,173,332	1,195,957	(22,625)	(1.9%)	1,065,764
Protection to persons and property	1,569,689	1,667,615	(97,926)	(5.9%)	1,569,710
Transportation	2,716,864	2,642,260	74,604	2.8%	2,833,944
Environmental services	1,017,088	871,059	146,029	16.8%	883,897
Health services	410,731	399,207	11,524	2.9%	401,271
Social and family services	2,141,751	2,049,481	92,270	4.5%	2,040,833
Social Housing	894,908	803,748	91,160	11.3%	818,287
Recreational and cultural services	873,448	847,271	26,177	3.1%	795,910
Planning and development	150,299	173,473	(23,174)	(13.4%)	132,562
Total	**10,948,110**	**10,650,071**	**298,039**	**2.8%**	**10,542,178**
ANNUAL SURPLUS	**346,020**	**695,779**			**553,844**

The budget column included in the Consolidated Financial Statements reflects the approved budget at the time the tax levy is approved by Council. Although City Council approves revisions to the budget throughout the year, these amendments are not reflected in the budget column shown in the Consolidated Financial Statements (see Note 18 in the Consolidated Financial Statements). The budget is however, adjusted to exclude purchases of tangible capital assets from expenses, to also exclude debt principal from revenues and expenses, and to allow for amortization of tangible capital assets.

Table 2 reflects the combined operations of the operating, capital, reserves and reserve funds for the City and its consolidated entities.

REVENUES

While the annual budget process focuses primarily on property tax increases, it must be emphasized that property taxes are only one of the City's many revenue sources. In 2011, property taxes made up 39.8% (2010 – 40.4%) of the City's operating revenue.

Property taxes exceeded budget by $145M primarily due to the following:

- Municipal Land Transfer Tax (MLTT) revenue exceeded budget by $97.8M due to higher than anticipated home sales and average home prices;
- Increase in Supplementary Taxes of $30.6M due to higher revenues from supplementary assessment rolls; and,
- Approximately $19.7M represent Business Improvement Area (BIA) levies which were approved by Council to fund operational expenditures in the same amount.

Funding Transfers from other governments were under budget by $255M primarily due to:

- Under-spending in TTC projects for the Toronto-York Spadina Subway Extension by $217M;
- Shelter, Support & Housing Administration operating subsidies were lower by $54.9M, mainly due to lower subsidies in the Social Housing Renovation and Retrofit Program Stimulus Funding (SHRRP) by $59M;
- Ontario Works operating subsidies were lower by $45M, mainly due to lower subsidies than budget for Ontario Works Financial Assistance Program ($40M); offset by
- Receipt of $81M from Metrolinx for transit expansion projects budgeted on a net zero basis.

Government Business Enterprise Earnings ($188M) represent the earnings from Toronto Hydro Corporation, Toronto Parking Authority, Toronto Port Lands Company (reclassified as a GBE effective January 1, 2011) and Enwave. Details are available in Note 5 and Appendix 1 of the Consolidated Financial Statements.

Investment earnings were higher than budget by $93.8M due to interest earned on the sinking fund of $67.1M not specifically budgeted for, and higher than forecast interest and investment earnings of $22.1M.

Development Charges revenues applied to capital spending were under budget by $59.1M, due to under-spending on capital projects, as a result of an inability to find and secure suitable sites, delays in construction start-up, and deferral of work. As an obligatory reserve, development charges are recognized as the funds are spent for the intended purposes.

Rent and Concessions were higher than budget by $34.5M due primarily to higher rental and concession revenues at the agencies, boards and commissions.

Other Revenues were lower than budget by $100.5M primarily due to funding for capital projects that were under-spent. Other revenues include contributions from project partners in joint agreements with the City, other third party recoveries, utility cut recoveries, various revenues such as sale of recycled materials, publications, composters, scrap, recycling revenues, donations, etc.

EXPENSES

Gross consolidated expenses for 2011 totalled $10.65B (2010: $10.54B). The increase was generated largely by inflationary increases (wages, materials and contracted services), increased employee benefit liabilities and increased interest charges on long-term debt. A breakdown of other contributing factors by function is as follows:

- Actual costs for protection to persons and property (Police, Fire, Building Services and Conservation Authority levies and the Provincial Offences Act Courts) was $98M higher than budget, primarily due to:
  - PSAB adjustments for employee benefits ($38.8M) for Fire and Police Services not budgeted for; and,
  - Deficits for City Sponsored Pension Plans ($63.9M) for the Police and Firefighters not budgeted for.

- Transportation (including Roads/Traffic signals maintenance and Transit) was $75M lower than budget, primarily due to under-spending on various projects.

- Environmental services spending was lower than budget by $146M due primarily to under-spending at Toronto Water of $15.2M and at Solid Waste of $114.8M due to:
  - savings in debt charges of $15.4M, as a result of postponement of debt issuance;
  - lower than anticipated tonnage resulting in savings of $9.8M; and
  - under-spending on various projects of $84.5M.

- Social and Family Services spending was lower than budget by $92M, due to the following:
  - Ontario Works (OW) financial benefits were under-spent by $40M due to a lower than budgeted OW caseload;
  - Savings of $12.7M in Affordable Housing Programs due to delays in commencing maintenance projects;
  - Savings of $19.2M in Toronto Employment & Social Services (TESS) due primarily to lower subsidy than budget on Enhanced Employment Services (EES); and
  - Children's Services under-spending of $10.8M.

- Social Housing spending was lower than budget by $91M, due primarily to:
  - Social Housing Administration gross savings of $74.4M, due primarily to delays in flow through of Social Housing Renovation and Retrofit Program (SHRRP) subsidy payments due to milestones requirements, delayed the distribution of funds to non-profit agencies. These will be disbursed in 2012 as milestones are achieved;
  - lower than budgeted spending at TCHC ($14.7M).

FIVE YEAR SUMMARY OF REVENUES

The five year summary of revenues outlined in Table 3 demonstrates that property taxes continue to be the slowest growing revenue source for the City. During this period, assessment growth has been relatively low. In addition, the City has been limited by provincial legislation and Council policy from extending tax rate increases on the commercial, industrial and multi-residential assessment base on the same basis as the residential base. The commercial, industrial and multi-residential property classes represent 55.3% of the City's tax revenue base.

As a result of the slow growth of property tax revenue, more reliance has been placed on user fees, senior government transfers and other sources of revenue to meet expenses and minimize property tax rate increases.

Five Year Summary of Revenues

Table 3

Consolidated Revenues – 5 year Summary

(in thousands of dollars)

Revenues	Avg. Annual Increase	2011	2010	2009	2008	2007
Property taxes	2.88%	3,681,241	3,646,675	3,520,450	3,369,949	3,285,947
Municipal land transfer tax (MLTT)	25.05%	324,065	278,980	183,892	165,743	–
Personal vehicle Tax (PVT)	N/A	723	42,766	51,717	14,992	–
User charges	4.25%	2,632,476	2,529,093	2,309,164	2,401,354	2,205,493
Government transfers	9.48%	3,148,351	3,173,242	2,993,468	3,025,828	2,188,715
Rent and Concessions	2.68%	386,073	372,959	355,005	355,591	347,317
Other	8.93%	1,172,921	1,052,307	1,000,795	404,383	833,064
Total	**6.38%**	**11,345,850**	**11,096,022**	**10,414,491**	**9,737,840**	**8,860,536**
Percentage Increase		2.25%	6.54%	6.95%	9.90%	

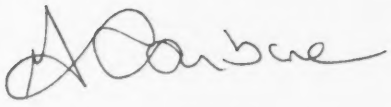
RISKS AND MITIGATES

The City continues to face a number of risks that could have a negative impact on the City's financial future. These risks include: lack of long-term dedicated funding to assist the City in addressing its infrastructure deficit including building and expanding the transit system to meet the City's strategic goals and accessing non-property tax revenue sources that grow with the economy to ensure long term sustainable funding.

In 2011, the City continued to make progress to address these risks by continuing to implement its Long Term Financial Plan. Appendix B lists eight (8) specific financial issues/risks and the actions taken in 2011 to help address them.

Highlights include:

- Implementation of the Service Review Program to identify those services the City should continue to deliver, provide efficiency and effectiveness measures for those programs, and recommend proper funding sources. The Service Review Program has three parts:
  - Core Service Review (completed in 2011),
  - User Fee Review (completed in 2011), and
  - Service Efficiency Studies (which commenced in 2011 and will continue into 2012 and 2013);
- Continued cost containment;
- Voluntary Separation Program which reduced staffing by 714 positions; and
- Completion of over 500 infrastructure projects, which were partially funded by stimulus funding from the Federal and/or Provincial governments.



Giuliana Carbone
Treasurer

Toronto, Canada
July 13, 2012

APPENDIX A: KEY ISSUES/RISKS FACING THE CITY OF TORONTO

Issues/Risk	Actions Taken in 2011	Actions planned for 2012 and beyond
City has a higher cost structure than other municipalities in the GTA	• Continuous improvement initiatives and programs continued, to ensure appropriate use of resources. • City Council continued to adopt strict budget guidelines for City divisions and ABCs. (10% reduction over 2010 and 2011). • Cost containment measures remained in place. • Continued to develop the new Financial Planning, Analysis and Reporting system, approved by Council in 2007 with Phase 1 implementation planned for April 2013 for the 2014 budget process and full implementation scheduled for Jan. 2014. The new system sets the foundation for multi-year performance/service-oriented operating budgets. The system will: o track and report performance measures and service level indicators; o align complement management and complement planning processes; o assess cost performance efficiency; o enable better alignment of the City's limited resources to Council priorities; o provide flexibility to incorporate and track long-term service planning initiatives; o establish the framework to balance service levels and priorities with affordability. • Continued to benchmark operations with other Ontario municipalities. • A multi-year approach is planned to address the operating pressure and capital funding gap. A Service Review Program was implemented in 2011 to identify what services the City should deliver, how they can be more efficient and cost effective, and how we should pay for them. The Service Review Program has three parts: o The Core Service Review (completed in 2011) identified what services the City should be delivering. It sets the foundation for the City's services going forward and assists with moving towards a multi-year financial planning and budgeting process in 2012.	• Apply aggressive budget reduction targets: (10% for 2012). • Contracts for Local 79 and 416 are up for renegotiation and management will be seeking further relief from the rising costs. • Continue to implement recommendations from the Core Service Review that were adopted by Council such as request for proposal to determine options for sale, lease, operation or other arrangement in respect of the Toronto Zoo, and City owned theatres. • Continue with the Service Efficiency Studies that were recommended. • Maintain continuous improvement initiatives including enhanced performance measures and benchmarking. • Continue to develop and implement the new Financial Planning, Analysis and Reporting system to improve budget analysis and program rationalization. • Internal Audit and Auditor General continue to conduct audit reviews with a view to maintain and improve internal controls and identify opportunities for further efficiencies. • Continue to benchmark operations with other Ontario municipalities.

Issues/Risk	Actions Taken in 2011	Actions planned for 2012 and beyond
	○ The User Fee Review (completed in 2011) examined how City's services are paid for. It provides guidelines on how user fee prices are set with the objective of full cost recovery. ○ The Service Efficiency Studies (which commenced in 2011 and will continue into 2012 and 2013) will make sure that services do not cost more than they should, and identify new and more efficient ways to deliver services at a lower cost. • Established "Ideas that Work", an employee engagement strategy that uses various ways to gather employee ideas and suggestions for identifying service efficiencies and cost savings. • Implemented a voluntary separation program.	
Demands for growth as laid out in the Official Plan or other Sectoral and Program plans are not adequately funded	• Move Ontario Trust was established in March 2006 for the purpose of holding, investing and disbursing funds to the Toronto York Spadina Subway Expansion project. A total investment of $870 million from the provincial government plus $75 million from the federal government was made. These funds are not included in the City's Financial Statements as they are held in a separate Trust Fund. • April 1, 2009 the Province of Ontario announced full funding for 3 significant components of the Transit City plan: the $4.6 billion Eglinton line from Kennedy Station to Pearson airport; the $1.2 billion Finch West line from Humber College to Don Mills Subway station; and the $1.4 billion Scarborough Rapid Transit (RT) rehabilitation and extension. Although the timelines have been extended as part of the 2010 Ontario Budget, the Provincial commitment to these projects remains. • Finished more than 500 infrastructure projects with the help of federal/provincial economic stimulus programs. The combined funding under the Infrastructure Stimulus Fund (ISF), Recreational Infrastructure Canada (RInC-REC) and Social Housing Renovation and Retrofit Program (SHRRP) totalled $460 million, and has created local jobs and improved infrastructure. Funding was available for two years for projects that were materially built by October 2011.	• Continue to refine cost estimates related to growth plans. • Province, Metrolinx and the City to jointly begin planning for the new transit plans with the Province contributing $8.4 billion towards the plan. Metrolinx is responsible for delivering the Scarborough RT, Eglinton Scarborough Crosstown, Finch West and Sheppard Ave East Light Rail Transit (LRT) projects. • Update Development Charges By-law to reflect updated growth figures and capital spending plans. • Continue to direct funding to the infrastructure backlog.

Issues/Risk	Actions Taken in 2011	Actions planned for 2012 and beyond
	• Executed a $20 million loan through the Municipal Infrastructure Loan Program to finance municipal infrastructure related to social housing redevelopment (so that the total value of the 3 loans executed over 2010 & 2011 is $120 million); and continued to complete capital projects funded under this low interest rate federal program administered by CMHC. • Infrastructure backlog continues to grow especially for transportation and parks and recreation while for some the backlog is being addressed such as water and city facilities.	
There is a variability in certain program expenditures from year to year, some of which are vulnerable to economic down turns and interest rate fluctuations	• In 2007, the Province (through the Provincial Municipal Fiscal and Service Delivery Review - PMFSDR) agreed to fully fund the Ontario Disability Support Program (ODSP) and the Ontario Drug Benefit (ODB) program. ODB upload was completed in 2008 and the ODSP was completed in 2011. Additionally, the Province agreed to: upload the cost of Ontario Works and Court Security by 2018; and, fully fund their 50% share of Ontario Work (OW) Cost of Administration (COA) starting in 2010. • Continued to work with the Province on a Toronto-Ontario partnership agreement on permanent, sustainable transit operating funding. • Continued to take actions on other risks impacting the City with potential financial impacts: o Climate change adaptation and environmental risks management. o Closely monitored the impacts of interest rate changes on Social Housing costs, investment returns and debt charges.	• Continue to work with the Province to operationalize the upload and refine the relationship regarding social and related services: OW benefit costs began in 2010 & will be completed by 2018; OW COA started in 2010. • Through the Social Service upload, the Province has re-established the principle that income support programs should not be funded from the property tax base. As such, the City will continue its discussion with the Province regarding its funding responsibilities for Social Housing. • Continue to work with the Province on the agreed upload of court security costs by 2018. • Continue to negotiate with the Province on permanent, sustainable transit operating funding (50% of transit operating costs) and the need for additional capital funds as noted above. • Closely monitor key economic indicators and market conditions to identify trends and forecast impacts on expenditures and revenues, and continue to develop funding strategies to mitigate financial risks.

Issues/Risk	Actions Taken in 2011	Actions planned for 2012 and beyond
Business property taxes are not competitive with the surrounding urban area (905 area code)	• The City has continued the implementation of "Enhancing Toronto's Business Climate" initiative, adopted by City Council in October 2005 – a plan to reduce the ratio for property tax rates for businesses (i.e. commercial and industrial) and multi-residential properties to 2.5 times the residential tax rate by 2020 (a 15 year plan); and further, to provide for an accelerated reduction in tax rates for smaller businesses, with a target of 2.5 times the residential rate by 2015 (a 10 year plan). The estimated benefit to businesses over the 15-year period is approximately $250 million. • For 2011, Council has continued to accelerate tax rate reductions for properties that are included in the "Residual Commercial" tax class. For these properties, a lower tax rate applies to the first million dollars of a property's assessment (Band 1). The portion of the assessment above one million dollars is taxed at the "Commercial General" tax class rate (Band 2).	• Council approved a modest property tax increase for residents and businesses for 2012 with similar expectations for 2013. • Council is on track to meet its targets of 2015 and 2020. • 2013 is a reassessment year for taxes paid between 2013 and 2016 which may require a re-examination of tax policies. Council will reconsider its tax policies after reviewing the new assessment data.
The City lacks adequate revenue sources to fund its municipal responsibilities	• Funding for capital projects from other orders of government has been secured over the years – e.g. Share of federal and provincial gas taxes ($300 million per year); Transit Plan ($9 billion); Economic Stimulus Project funding ($460 million 2009 to 2011); one-time transit funding between 2006 and 2009 has ranged from $58 to $360 million per year. • Cancelled Personal Vehicle Tax (PVT) in 2011. • Volatile Municipal Land Transfer Tax (MLTT) continued in 2011 attracting a record level of revenue ($320 million) and contributing almost $100 million to the 2011 operating surplus. • The new City-wide Sign Bylaw and the Third-Party Sign Tax came into effect on April 6, 2010. However, a subsequent court ruling has limited the full application of the Sign Tax, potentially reducing revenues that the City would otherwise collect, subject to appeal by the City.	• Update the Long Term Fiscal Plan in 2012 / 2013. • Continue to petition the Province to restore permanent, sustainable transit operating funding (50% of transit operating costs). • Continue to work with the Provincial and Federal governments to secure long term permanent funding solutions for such items as housing. • Continue to budget cautiously for MLTT to avoid negative budget impacts and contribute to any surplus to fund the capital shortfall. • The City won its appeal from a lower court ruling so that it can fully implement the sign tax subject to the failure of a third party requested leave to further appeal to the Supreme Court.
Improper funding of Provincial cost-shared programs has resulted in significant financial pressures to the City	• Province to continue honoring its cost sharing formulae for Ontario Works.	• Province to continue honoring its cost sharing formulae for Ontario Works and Court Security. • Continue to highlight costs and requirements in areas of joint responsibility, such as social housing and transit and childcare.

Issues/Risk	Actions Taken in 2011	Actions planned for 2012 and beyond
City's investment in ageing infrastructure has been lagging	• The City continued to plan for capital on a 10 year basis. • Continued to invest funds in State of Good Repair Reserve Fund. • $700 million capital budget shortfall for TTC vehicles to be funded through a combination of asset monetization proceeds, operating surpluses, and potential new funding from other orders of government over three years.	• Approval of firm 10-year Capital Plan with an emphasis on the state of good repair activities. • Continue to plan for a three year operating plan. • Continue to increase direct operating budget contribution to capital program to offset a portion of debt requirements. • Continue the plan to find a $700 million TTC vehicle shortfall through a combination of asset monetization proceeds, operating surpluses, and potential new funding from other orders of government over three years. • Further enhance asset management planning. • Continue to seek funding for transit projects from provincial and federal governments.
Employee benefits and other long-term liabilities are not adequately funded	• The City updated the actuarial reviews of its employee benefit plans. • Implemented effective Jan 1, 2010 a new Illness or Injury Plan (IIP) for TCEU Local 416 and CUPE Local 79 which resulted in all employees hired after July 31, 2009, not being provided with a sick pay plan. In addition, existing employees had a one-time option to switch to the new IIP plan. As a result, 40% of employees switched to the new IIP plan resulting in a net reduction in current and future sick leave liability of $174.1 million. For management and non-union staff, a similar Short Term Disability Plan was already implemented on March 1, 2008. • Surplus funds in the order of $12 million directed toward benefit reserve funds as a one-time additional contribution. Even with this increase there is still a $122 million shortfall from the City's policy that the Reserve accounts should contain two times its annual costs.	• Implementation of approved strategies to reduce the funding gap between employee benefits reserve and the liabilities: o First stage: to require ABCs to contribute annual funding to the Sick Leave Reserve Fund to match budgeted withdrawals (pay as you go); and, o Second stage: to revise the annual benefit charges to Divisions and applicable ABCs to reflect additional funding requirements for retired employees, employees on long-term disability, workplace safety (pre-amalgamation) and sick leave gratuity payouts. • Contracts for Local 79 and 416 are up for renegotiation and management will be seeking further relief from the rising costs of benefits.

2011 CONSOLIDATED FINANCIAL STATEMENTS

CITY OF TORONTO FINANCIAL REPORT

MANAGEMENT'S REPORT

The management of the City of Toronto ("City") is responsible for the integrity, objectivity and accuracy of the financial information presented in the accompanying consolidated financial statements.

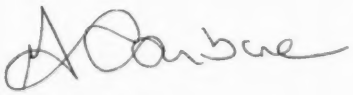
The consolidated financial statements have been prepared by management in accordance with Canadian Generally Accepted Accounting Principles established by the Public Sector Accounting Board of the Canadian Institute of Chartered Accountants. A summary of the significant accounting policies is disclosed in Note 1 to the consolidated financial statements.

To meet its responsibility, management maintains comprehensive financial and internal control systems designed to ensure the proper authorization of transactions, the safeguarding of assets and the integrity of the financial data. The City employs highly qualified professional staff and deploys an organizational structure that effectively segregates responsibilities, and appropriately delegates authority and accountability.

The Audit Committee, a sub-committee of City Council ("Council"), reviews and approves the consolidated financial statements before they are submitted to Council. In accordance with Council's directive, the Auditor General oversees the work of the external auditors performing financial statement attest audits. While it is important to recognize that the external audit is an independent process, the Auditor General's role is to ensure that all significant audit issues are appropriately addressed and resolved. In this context, the Auditor General participates in all significant meetings held between the external auditors and management.

The 2011 consolidated financial statements have been examined by the City of Toronto's external auditors, PricewaterhouseCoopers LLP, and their report precedes the consolidated financial statements.

Toronto, Canada
July 13, 2012



Giuliana Carbone
Treasurer

Cam Weldon
Deputy City Manager & Chief Financial Officer

Joseph P. Pennachetti
City Manager

INDEPENDENT AUDITOR'S REPORT

To the Members of Council, Inhabitants and Ratepayers of the **City of Toronto**

We have audited the accompanying consolidated financial statements of the City of Toronto, which comprise the consolidated statement of financial position as at December 31, 2011 and the consolidated statements of operations and accumulated surplus, change in net debt, and cash flows for the year then ended, and the related notes, which comprise a summary of significant accounting policies and other explanatory information.

Management's responsibility for the consolidated financial statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with Canadian public sector accounting standards, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained in our audit is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of the City of Toronto as at December 31, 2011 and the results of its operations, changes in its net debt and its cash flows for the year then ended in accordance with Canadian public sector accounting standards.

PricewaterhouseCoopers LLP

Chartered Accountants, Licensed Public Accountants

Toronto, Canada

July 13, 2012

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

as at December 31, 2011

(with comparative figures as at December 31, 2010)

(all dollar amounts in thousands of dollars)

	2011	2010
FINANCIAL ASSETS		
Cash	483,124	481,734
Accounts receivable (Note 2)	1,174,808	1,031,976
Property taxes receivable	244,209	300,387
Other assets (Note 3)	129,063	112,081
Investments (Note 4)	3,495,596	3,294,207
Due from Toronto District School Board (Note 12)	30,190	33,815
Investments in government business enterprises (Note 5)	1,716,093	1,259,784
Total financial assets	**7,273,083**	**6,513,984**
LIABILITIES		
Bank indebtedness (Note 6)	144,710	135,329
Accounts payable and accrued liabilities (Note 7)	2,535,913	2,443,527
Deferred revenue (Note 8)	1,512,593	1,439,639
Other liabilities (Note 9)	555,746	477,004
Landfill closure and post-closure liabilities (Note 10)	121,440	121,058
Mortgages payable (Note 11)	773,590	803,636
Net long-term debt (Note 12)	3,264,220	2,890,472
Employee benefit liabilities (Note 13)	2,776,167	2,588,957
Total liabilities	**11,684,379**	**10,899,622**
NET DEBT	**(4,411,296)**	**(4,385,638)**
NON-FINANCIAL ASSETS		
Tangible capital assets, net (Note 14, Schedule 1)	20,629,025	19,589,103
Inventories and prepaid expenses (Note 15)	294,343	281,589
	20,923,368	19,870,692
Commitments and contingencies (Note 16)		
ACCUMULATED SURPLUS (Note 17)	**16,512,072**	**15,485,054**

The accompanying notes are an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF OPERATIONS AND ACCUMULATED SURPLUS

for the year ended December 31, 2011

(with comparative figures for the year ended December 31, 2010)

(all dollar amounts in thousands of dollars)

	2011 BUDGET (Note 18)	2011 ACTUAL	2010 ACTUAL
	(unaudited)		
REVENUE			
Property taxation	3,762,308	3,907,433	3,859,765
Taxation from other governments	91,781	98,596	108,656
User charges	2,634,516	2,632,476	2,529,093
Funding transfers from other governments (Note 19)	3,403,246	3,148,351	3,173,242
Government Business Enterprise Earnings (Note 5)	–	188,041	153,294
Investment Income	154,581	248,397	265,990
Development charges	154,072	94,952	92,162
Rent and Concessions	351,559	386,073	372,959
Other	742,067	641,531	540,861
Total revenue	**11,294,130**	**11,345,850**	**11,096,022**
EXPENSES			
General government	1,173,332	1,195,957	1,065,764
Protection to persons and property	1,569,689	1,667,615	1,569,710
Transportation	2,716,864	2,642,260	2,833,944
Environmental services	1,017,088	871,059	883,897
Health services	410,731	399,207	401,271
Social and family services	2,141,751	2,049,481	2,040,833
Social housing	894,908	803,748	818,287
Recreation and cultural services	873,448	847,271	795,910
Planning and development	150,299	173,473	132,562
Total expenses (Note 20)	**10,948,110**	**10,650,071**	**10,542,178**
ANNUAL SURPLUS	**346,020**	**695,779**	**553,844**
ACCUMULATED SURPLUS - BEGINNING OF YEAR	**15,248,742**	**15,485,054**	**14,931,210**
GBE - Transition adjustments upon IFRS Adoption (Note 5)	–	**331,239**	–
ACCUMULATED SURPLUS – END OF YEAR (Note 17)	**15,594,762**	**16,512,072**	**15,485,054**

The accompanying notes are an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF CHANGE IN NET DEBT

for the year ended December 31, 2011

(with comparative figures for the year ended December 31, 2010)

(all dollar amounts in thousands of dollars)

	2011 BUDGET	2011 ACTUAL	2010 ACTUAL
	(unaudited)		
ANNUAL SURPLUS	**346,020**	**695,779**	**553,844**
Acquisition of tangible capital assets	(2,840,000)	(2,131,486)	(2,257,636)
Amortization of tangible capital assets	900,000	814,522	1,018,351
Loss on disposal of tangible capital assets	–	70,170	37,025
Recognition of TPLC as a government business enterprise (Note 5)	–	163,663	–
Reclassification of tangible capital assets as inventories	–	43,209	–
Proceeds on disposal of tangible capital assets	2,000	–	2,064
Change due to tangible capital assets	**(1,938,000)**	**(1,039,922)**	**(1,200,196)**
Change in inventories and prepaid expenses	**–**	**(12,754)**	**(75,090)**
GBE – Transition adjustment upon IFRS Adoption	**–**	**331,239**	**–**
Increase in net debt	(1,591,980)	(25,658)	(721,442)
NET DEBT – BEGINNING OF YEAR	(4,385,638)	(4,385,638)	(3,664,196)
NET DEBT – END OF YEAR	**(5,977,618)**	**(4,411,296)**	**(4,385,638)**

The accompanying notes are an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS

for the year ended December 31, 2011
(with comparative figures for the year ended December 31, 2010)
(all dollar amounts in thousands of dollars)

	2011	2010
OPERATING ACTIVITIES		
Annual surplus	695,779	553,844
Add (deduct) items not involving cash:		
Government business enterprises income from operations	(188,041)	(153,294)
Amortization of tangible capital assets	814,522	1,018,351
Loss on disposal of tangible capital assets	70,170	37,025
	1,392,430	1,455,926
Change in non-cash assets and liabilities related to operations:		
(Increase) decrease in accounts receivable	(154,797)	65,968
Decrease in property taxes receivable	56,178	12,701
Increase in accounts payable and accrued liabilities	92,386	419,795
Increase (decrease) in deferred revenue	72,954	(136,406)
Increase in other liabilities	78,742	92,498
Decrease (increase) in inventories and prepaid expenses	30,455	(75,090)
Increase (decrease) in landfill closure and post-closure liabilities	382	(2,285)
Increase in employee benefit liabilities	187,210	85,543
Cash provided by operating activities	**1,755,940**	**1,918,650**
CAPITAL ACTIVITIES		
Acquisition of tangible capital assets	(2,131,486)	(2,257,636)
Recognition of TPLC as a government business enterprise	163,663	–
Proceeds on disposal of tangible capital assets	–	2,064
Cash applied to capital activities	**(1,967,823)**	**(2,255,572)**
INVESTING ACTIVITIES		
(Decrease) increase in other assets	(5,017)	37,098
Purchase of investments, net	(201,389)	(43,314)
Proceeds on repayment of note receivable – Toronto Hydro Corporation	–	528,000
Gain on sale of note receivable – Toronto Hydro Corporation	–	(37,885)
Proceeds on repayment of due from Toronto District School Board	3,625	4,022
TPLC net assets reported December 2010	(12,841)	–
Dividends and distributions from government business enterprises	75,812	84,293
Cash provided by (applied to) investing activities	**(139,810)**	**572,214**
FINANCING ACTIVITIES		
Increase (decrease) in bank indebtedness	9,381	(6,906)
Principal repayments on mortgages payable	(30,046)	(36,991)
Proceeds from long-term debt issued	735,585	965,185
Principal repayments on long-term debt	(291,103)	(816,666)
Interest earned on sinking funds	(67,110)	(52,610)
Principal repayments on debt by Toronto District School Board	(3,624)	(4,022)
Cash provided by (applied to) financing activities	**353,083**	**47,990**
Net increase in cash during the year	1,390	283,282
CASH – BEGINNING OF YEAR	481,734	198,452
CASH – END OF YEAR	**483,124**	**481,734**
SUPPLEMENTARY INFORMATION:		
Cash paid for interest on debt	263,608	256,160
Cash received for interest on investments	220,976	234,027

The accompanying notes are an integral part of these consolidated financial statements.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2011 *(all dollar amounts in thousands of dollars)*

The City of Toronto (the "City") is the largest city in Canada, and is the provincial capital of Ontario. The City was incorporated March 6, 1834. In 1998, the existing City was formed through the amalgamation of the City, Metropolitan Toronto, East York, Etobicoke, North York, Scarborough and York. The City operates under the provisions of the City of Toronto Act, 2006.

1. Summary of Significant Accounting Policies

Basis of accounting

The consolidated financial statements of the City have been prepared in accordance with Canadian generally accepted accounting principles established by the Public Sector Accounting Board ("PSAB") of The Canadian Institute of Chartered Accountants ("CICA").

Principles of consolidation

The consolidated financial statements include all organizations that are accountable for the administration of their financial affairs and resources to City Council ("Council") and are controlled by the City. These statements reflect the assets, liabilities, revenues and expenses of the operating fund, capital fund, reserves and reserve funds of the City and each entity, except for government business enterprises which are accounted for by the modified equity basis of accounting and the Toronto Waterfront Revitalization Corporation which is accounted for by proportionate consolidation.

Consolidated entities:

Agencies, Boards and Commissions:

- Board of Governors of Exhibition Place
- Board of Management of the Toronto Zoo
- Casa Loma Corporation
- Heritage Toronto
- Lakeshore Arena Corporation
- The North York Performing Arts Centre Corporation
- The Sony Centre for the Performing Arts
- St. Lawrence Centre for the Arts
- Toronto Atmospheric Fund ("TAF")
- Toronto Board of Health
- Toronto Community Housing Corporation ("TCHC")
- Toronto Licensing Commission
- Toronto Police Services Board
- Toronto Public Library Board
- Toronto Transit Commission ("TTC")
- Toronto Waterfront Revitalization Corporation ("TWRC") (1/3rd proportionately)
- Yonge-Dundas Square
- Build Toronto Inc.
- Invest Toronto Inc.
- City of Toronto Economic Development Corporation c.o.b. Toronto Port Lands Company ("TPLC") (2010 only)

Arenas:

- Forest Hill Memorial
- George Bell
- Leaside Memorial Community Gardens
- McCormick Playground
- Moss Park
- North Toronto Memorial
- Ted Reeve Community
- William H. Bolton

Community Centres:

- 519 Church Street
- Applegrove
- Cecil Street
- Central Eglinton
- Community Centre 55
- Eastview Neighbourhood
- Harbourfront
- Ralph Thornton
- Scadding Court
- Swansea Town Hall

Business Improvement Areas:

- Albion/Islington Square
- Baby Points Gates
- Bloor Annex
- Bloor by the Park
- Bloorcourt Village
- Bloordale Village
- Bloor Street
- Bloor West Village
- Bloor-Yorkville
- Cabbagetown
- Chinatown
- Church-Wellesley Village
- College Promenade
- Corso Italia
- Crossroads of the Danforth
- Danforth Mosaic
- Danforth Village
- Dovercourt Village
- Downtown Yonge
- Dundas West
- Eglinton Hill
- Emery Village
- Fairbank Village
- Financial District
- Forest Hill Village
- Gerrard India Bazaar
- Greektown on the Danforth
- Harbord Street
- Hillcrest Village
- Historic Queen East
- Junction Gardens
- Kennedy Road
- Kensington Market
- Kingsway
- Korea Town
- Lakeshore Village
- Liberty Village
- Little Italy
- Little Portugal
- Long Branch
- Mimico by the Lake
- Mimico Village
- Mirvish Village
- Mount Dennis
- Mount Pleasant
- Oakwood Village
- Pape Village
- Parkdale Village
- Queen Street West
- Regal Heights Village
- Riverside
- Roncesvalles Village
- Rosedale Main Street
- Sheppard East Village
- St. Clair Gardens
- St. Lawrence Market Neighbourhood
- The Beach
- The Danforth
- The Dupont Strip
- The Eglinton Way
- The Waterfront
- Toronto Entertainment District
- Trinity Bellwoods
- Upper Village
- Uptown Yonge
- Village of Islington
- West Queen West
- Weston Village
- Wexford Heights
- Wychwood Heights
- Yonge-Lawrence Village
- York-Eglinton

All inter-fund assets and liabilities and sources of financing and expenses have been eliminated in these consolidated financial statements.

Government business enterprises

The following entities are accounted for in these consolidated financial statements as government business enterprises using the modified equity basis of accounting. Under the modified equity basis, the accounting principles of government business enterprises are not adjusted to conform to the City's accounting principles and inter-organizational transactions and balances are not eliminated. Inter-organizational gains and losses are however, eliminated on assets remaining within the government reporting entities at the reporting date.

- Enwave Energy Corporation ("Enwave")
- Toronto Hydro Corporation
- Toronto Parking Authority
- City of Toronto Economic Development Corporation c.o.b. Toronto Port Lands Company ("TPLC") (recognized as a GBE effective January 1, 2011)

Trust funds

Trust funds and their related operations administered by the City are not included in the consolidated financial statements, but are reported separately in the Trust Fund Financial Statements (Note 22).

Use of estimates and measurement uncertainty

The preparation of financial statements in conformity with Canadian generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities as well as disclosure of contingent assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenues and expenses during the reporting year. Significant estimates and assumptions, which include employee benefit liabilities, property tax assessment appeals, property, liability and accident claims provisions, landfill closure and post-closure liabilities, and environmental provisions, are based on management's best information and judgment. Actual amounts, which are accounted for as they become known, may differ significantly from these estimates.

Tax revenues

Annually, the City bills and collects property tax revenues for municipal purposes as well as provincial education taxes on behalf of the Province of Ontario (the "Province") for education purposes. The authority to levy and collect property taxes is established under the City of Toronto Act, 2006, the Assessment Act, the Education Act, and other legislation.

The amount of the total annual property tax levy is determined each year through Council's approval of the annual operating budget. Municipal tax rates are set annually by Council for each class or type of property, in accordance with legislation and Council-approved policies, in order to raise the revenues required to meet operating budget requirements. Education tax rates are established by the Province each year in order to fund the cost of education on a Province-wide basis.

Property assessments, on which property taxes are based, are established by the Municipal Property Assessment Corporation ("MPAC"), a not-for-profit corporation funded by all of Ontario's municipalities. The current value assessment ("CVA") of a property represents an estimated market value of a property as of a fixed date. Assessed values for all properties within the municipality are provided to the City in the returned assessment roll in December of each year.

The amount of property tax levied on an individual property is the product of the CVA of the property (assessed by MPAC) and the tax rate for the class (approved by Council), together with any adjustments that reflect Council-approved mitigation or other tax policy measures, rebate programs, etc.

Property taxes are billed by the City twice annually. The interim billing, issued in January, is based on 50% of the total property's taxes in the previous year, and provides for the cash requirements of the City for the initial part of the year prior to Council's approval of the final operating budget and the approved property tax levy for the year. Final bills are issued in May, following Council's approval of the capital and operating budget for the year, the total property tax levy, and the property tax rates needed to fund the City's operations.

Taxation revenues are recorded at the time tax billings are issued. Additional property tax revenue can be added throughout the year, related to new properties that become occupied, or that become subject to property tax, after the return of the annual assessment roll used for billing purposes. The City may receive up to four supplementary assessment rolls over the course of the year from MPAC, identifying new or omitted assessments. Property taxes for these supplementary and/or omitted amounts are then billed according to the approved tax rate for the property class.

Taxation revenues in any year may also be reduced by reductions in assessment values resulting from assessment and/or property tax appeals. Each year, an amount is identified within the annual operating budget to cover the estimated amount of revenue loss attributable to assessment appeals, tax appeals or other deficiencies in tax revenues (e.g., uncollectible amounts, write-offs, etc.).

In Toronto, annual property tax increases for properties within the commercial, industrial and multi-residential tax classes have been subject to limitations on the maximum allowable year-over-year increase since 1998, in order to mitigate dramatic tax increases due to changes in assessed values.

In October 2005, Council adopted a staff report entitled "Enhancing Toronto's Business Climate – It's Everybody's Business," that introduced a number of new tax policy initiatives that began in 2006. These changes included limiting allowable annual tax increases on these property classes to 5% of the previous year's full CVA taxation level, and gradually reducing the proportion of the total property tax levy that is borne by the commercial, industrial and multi-residential classes through 2020.

Beginning in 2008, the City implemented two new taxes: the Municipal Land Transfer Tax and the Personal Vehicle Tax. These taxes apply to land sales and renewals of vehicle licenses. The revenues are transaction-based and are recognized at the time of the transaction: either registration of the sale of land or renewal of the personal vehicle license. In December 2010, Personal Vehicle Tax was discontinued for all renewals effective January 1, 2011 and beyond.

User charges

User charges relate to transit fees, utility charges (water, wastewater and solid waste), licensing fees, fees for use of various programs, and fees imposed based on specific activities. Revenue is recognized when the activity is performed or when the services are rendered.

Government transfers

Government transfers are transfers from senior levels of government that are not the result of an exchange transaction and are not expected to be repaid in the future. Government transfers are recognized in the fiscal year in which events giving rise to the transfer occur, providing the transfers are authorized, eligibility criteria have been met and reasonable estimates of the amounts can be made.

Development charges

Development charges are charges imposed on land development or redevelopment projects. Fees are set out in a City by-law, which conforms to the requirements of the Development Charges Act, 1997. Development charges are collected when an above grade building permit is issued, and recognized in revenues when used to fund capital projects.

Other revenue

Other revenues are recognized in the year that the events giving rise to the revenues occur and the revenues are earned. Amounts received which relate to revenues that will be earned in a subsequent year, are deferred and reported as liabilities.

Expenses

Expenses are recognized in the year that the events giving rise to the expenses occur and there is a legal or constructive obligation to pay.

Investments

Investments are recorded at amortized cost less any amounts written off to reflect a permanent decline in value. The majority of investments consists of authorized investments pursuant to provisions of the City of Toronto Act, 2006 and comprises government and corporate bonds, debentures and short-term instruments of various financial institutions. TCHC and TAF have their own investment policies, which allow them to invest in equities.

Investment income is reported as revenue in the period earned. Investment income earned on reserve funds that are set aside for specific purposes by legislation, regulation or agreement, is added to the fund balance and forms part of the respective deferred revenue balances.

Property and liability claims

Estimated costs to settle property and liability claims are actuarially determined, based on available loss information and projections of the present value of estimated future expenditures developed from the City's historical experience on loss payments. Where the costs are deemed to be likely and reasonably determinable, claims are reported as an operating expenditure, and are included in other liabilities on the consolidated statement of financial position.

TTC unsettled accident claims

The TTC has a self-insurance program for automobile and general liability claims. When claims are reported, case reserves are initially estimated on an individual basis by adjusters and lawyers employed by the TTC. A provision is made, on a present value basis, for claims incurred, for claims incurred-but-not-reported, and for internal and external adjustments.

Environmental provisions

The City provides for the cost of compliance with environmental legislation when conditions are identified which indicate non-compliance and costs can be reasonably determined.

The estimated amounts of future restoration costs are reviewed regularly, based on available information and governing legislation. Where the costs are deemed to be likely and reasonably determinable, claims are reported as an operating expense, and are included in other liabilities on the consolidated statement of financial position.

Landfill closure and post-closure liabilities

The costs to close existing landfill sites and to maintain closed solid waste landfill sites are based on estimated future expenditures in perpetuity in current dollars, adjusted for estimated inflation. These costs are reported as a liability on the consolidated statement of financial position.

Deferred revenue

Certain amounts are received pursuant to legislation, regulation or agreement and may only be used in the conduct of certain programs or in the completion of specific work. In addition, certain user charges and fees are collected for which the related services have yet to be performed. These amounts are recorded as deferred revenue and are recognized as revenue in the year the related expenses are incurred or services are performed, as this is the time the eligibility criteria have been met.

Derivative financial instruments

A derivative financial instrument (interest rate swap) is used to manage interest rate risk with respect to a certain TCHC term loan. TCHC does not account for its interest rate swap as a hedge, and as such, any realized or unrealized gains or losses are recognized in the consolidated statement of operations and accumulated surplus. The City also utilizes derivative financial instruments in the management of its purchase of electricity and natural

gas. The City's policy is not to use derivative financial instruments for trading or speculative purposes. Derivative contracts are recorded at their fair value as an asset or liability based on quoted market prices, with changes in fair value, if any, recorded in the consolidated statement of operations and accumulated surplus.

Employee benefit liabilities

The costs of termination benefits and compensated absences are recognized when the event that obligates the City occurs; costs include projected future income payments, health care continuation costs and fees paid to independent administrators of these plans, calculated on a present value basis.

The costs of other employee benefit liabilities are actuarially determined using the projected benefits method pro-rated on service and management's best estimates of retirement ages of employees, salary escalation, expected health costs and plan investment performance. Accrued obligations and related costs of funded benefits are net of plan assets.

Past service costs from plan amendments related to prior period employee services are accounted for in the period of the plan amendment. The effects of a gain or loss from settlements or curtailments are expensed in the period they occur. Net actuarial gains and losses related to the employee benefits are amortized over the estimated average remaining service life of the related employee group. Employee future benefit assets are presented net of any required valuation allowance. Employee future benefit liabilities are discounted using current interest rates on long-term municipal debentures.

The costs of workplace safety and insurance obligations are actuarially determined and are expensed in the period they occur.

Tangible capital assets

Tangible capital assets (TCA) are recorded at historical cost or estimated historical cost based on appraisals or other acceptable methods where historical cost is not available. Cost includes amounts directly attributable to the acquisition, construction, development or betterment of an asset. The cost less expected residual value is amortized on a straight-line basis, over the estimated useful lives of the assets, at the following rates:

Asset	
Land improvements	15 – 70 years
Buildings and building improvements	25 – 100 years
Machinery and equipment	4 – 60 years
Motor Vehicles	6 – 20 years
Water and wastewater linear	60 – 100 years
Roads linear	25 – 70 years
Transit	10 – 65 years

One-half of the amortization is recorded in the year of acquisition and in the year of disposal. Assets under construction are not amortized until the asset is substantially complete and available for productive use.

Donated tangible capital assets are recorded at estimated fair market value as at the date of donation, and are also recorded in revenue.

Works of art, cultural, and historic assets are not recorded as assets in these consolidated financial statements.

The City does not capitalize interest costs associated with the acquisition or construction of tangible capital assets.

The cost of normal maintenance and repairs which does not add value to the asset or materially extend asset lives is not capitalized.

Reserves and reserve funds

Reserves and reserve funds are comprised of funds set aside for specific purposes by Council and funds set aside for specific purposes by legislation, regulation or agreement. For financial reporting purposes, reserve funds set aside by legislation, regulation or agreement are reported as deferred revenue on the consolidated statement of financial position. Other reserve funds and reserves are balances within the accumulated surplus.

2. Accounts Receivable

Accounts receivable consist of the following:

	2011	2010
	$	$
Government of Canada	316,131	254,476
Government of Ontario	228,338	149,997
Other municipal governments	26,346	40,065
School Boards	9,382	1,786
Utility fees	133,565	115,205
Other fees and charges	461,046	458,482
	1,174,808	**1,020,011**

3. Other Assets

Other assets consist of the following:

	2011	2010
	$	$
TCHC has entered into a loan agreement with Dundas and Parliament Development Corporation (DPDC) to finance the construction of condominium buildings. The construction loans are repayable upon sales closing of condominium units and are guaranteed by the co-tenancy partners as well as other affiliated companies. Advances earn interest at the bank's prime rate plus 0.28%.	2,470	26,366
TCHC has entered into a loan agreement with Parliament and Gerrard Development Corporation (PGDC) to finance the pre-development costs of condominium buildings. The loans are repayable when PGDC obtains construction financing for each condominium building. The loan facility to PGDC is guaranteed by the co-tenancy partners as well as other affiliated companies. Amounts are advanced under three separate non-revolving term facilities and earn interest at the bank's prime rate plus 0.50 %.	33,315	3,983
In 2010, loan receivable bearing interest at 5.60% per annum, maturing in 2017 with a balloon payment of $12,200. On March 18, 2011, Build Toronto Inc. replaced the $25,578 loan with a new loan facility of $34,500 at an interest rate of 1.95% reset monthly at a government agency's average monthly cost of funds and is secured by a leasehold mortgage, shareholder guarantees, and a first charge against the assets of Pinewood – Toronto Studios Inc. (PTSI). These funds could be accessed with, draw requests, until the third anniversary when the then outstanding amount is amortized over 25 years.	29,038	25,578
Loans receivable from community housing organizations bearing interest at rates from 0% to 5% (2010 – 0% to 5%) per annum, maturing from 2012 to 2044.	49,017	50,245
Mortgage receivable pertains to TCHC's property at 60 Richmond St. being leased to Hospitality Workers' Housing Coop for 27 years consisting of 1st mortgage $8,214 (2010 - $8,386) at interest rate of 4.87%, and 2nd mortgage $3,760 (2010 – 3,579) interest free with the new rate to be established upon expiry of the 1st mortgage.	11,974	11,965
Other	3,249	5,909
	129,063	**124,046**

4. Investments

Investments consist of the following:

	2011		
	Cost	Market value	Carrying value
	$	$	$
Federal government bonds	449,882	509,380	449,882
Provincial government bonds	1,098,856	1,225,573	1,098,856
Municipal government bonds	472,894	522,807	472,894
Money market instruments	915,125	915,125	915,125
Corporate bonds	364,425	380,294	364,425
Other	194,414	237,075	194,414
	3,495,596	**3,790,254**	**3,495,596**

	2010		
	Cost	Market value	Carrying value
	$	$	$
Federal government bonds	498,451	527,682	498,451
Provincial government bonds	1,150,558	1,222,088	1,150,558
Municipal government bonds	526,466	560,931	526,466
Money market instruments	428,360	428,360	428,360
Corporate bonds	461,284	478,245	461,284
Other	231,113	247,397	229,088
	3,296,232	**3,464,703**	**3,294,207**

Municipal and Federal government bonds include bonds held in trust by the insurance carrier as collateral for the provision of automobile and primary liability insurance with a carrying value of $0 (2010 - $65,973). The weighted average yield on the cost of the bond investment portfolio during the year was 5.73% (2010 - 5.20%). Maturity dates on investments in the portfolio range from 2012 to 2041 (2010 - 2011 to 2039). Included in the City's municipal government bonds portfolio are City of Toronto debentures at coupon rates varying from 4.05% to 8.65% (2010 - 3.95% to 8.65%) with a carrying value of $179,915 (2010 - $182,703).

Other investments held by the City and its ABC's consist of the following:

	2011		
	Cost	Market value	Carrying value
	$	$	$
City investments	254	254	254
TCHC			
– Pooled investments	142,632	185,233	142,632
– Term deposits and other	6,762	6,762	6,762
TWRC	21,443	21,443	21,443
TAF	19,049	19,108	19,049
Build Toronto	3,313	3,313	3,313
Invest Toronto	956	957	956
St. Lawrence Centre for the Arts	5	5	5
	194,414	**237,075**	**194,414**

	2010		
	Cost	Market value	Carrying value
	$	$	$
City investments	231	231	231
TCHC			
– Pooled investments	159,806	175,359	159,806
– Cash management funds	43,949	43,949	43,949
– Term deposits and other	4,599	4,599	4,599
TAF	11,573	12,304	9,548
Build Toronto	1,662	1,662	1,662
Toronto Port Lands Company	9,293	9,293	9,293
	231,113	**247,397**	**229,088**

5. Investments in Government Business Enterprises (GBEs)

Government business enterprises consist of 100% interest in Toronto Hydro Corporation (a hydro-electric local distribution company), Toronto Parking Authority (an operator of public parking for the City of Toronto), Toronto Port Lands Company (a company involved in development of real estate in the Toronto port lands, reclassified as a GBE effective January 1, 2011), and an approximate 43% interest in Enwave (a provider of district heating and cooling within the downtown core of Toronto). In 2010, TPLC was included in the City's consolidation, as there was insufficient information at that time to conclude that TPLC was able to maintain its operations and meet its liabilities from revenues received from outside of the government reporting entity.

Details of the continuity of the book value of these investments are as follows:

	2011	2010
	$	$
Balance - beginning of year	1,259,784	1,190,783
TPLC net assets reported December 2010	12,841	–
January 2011 adjustments to TPLC net assets	20,057	–
Income from operations (Appendix 1)	163,637	150,016
Transition adjustment upon IFRS conversion – Toronto Port Lands Company	329,894	–
Transition adjustment upon IFRS conversion – Toronto Parking Authority	1,345	–
Dividends received (Appendix 1)	(33,063)	(25,000)
Distribution to City (Appendix 1)	(42,749)	(59,293)
Change in net book value of streetlighting assets eliminated on sale to Toronto Hydro Corporation (Appendix 1)	3,533	2,984
Change in net book value of water infrastructure assets eliminated on transfer from Enwave (Appendix 1)	814	294
Balance – end of year (Appendix 1)	**1,716,093**	**1,259,784**

The transition adjustment upon IFRS conversion for Toronto Port Lands Company is an adjustment to retained earnings under International Accounting Standard (IAS) 40, "Investment Property", and represents the cumulative unrealized gain with respect to TPLC's real estate properties and the reclassification of straight-line rent receivable, direct leasing costs, tenant improvements and tenant incentives.

Investment in Government Business Enterprise is comprised of equity and long-term subordinated debt as follows:

		2011	2010
		$	$
Toronto Hydro Corporation	Equity	1,074,183	1,007,781
Toronto Parking Authority	Equity	204,721	189,053
Enwave	Equity	21,603	62,950
	Debt	46,152	–
Toronto Port Lands Company	Equity	369,434	–
		1,716,093	**1,259,784**

Condensed financial results for each government business enterprise are disclosed in Appendix 1 to the notes to these consolidated financial statements. The results presented in Appendix 1 relate to fiscal years ended December 31 for Toronto Hydro Corporation, Toronto Parking Authority, and Toronto Port Lands Company, and October 31 for Enwave.

Government Business Enterprise Earnings on the Consolidated Statement of Operations and Accumulated Surplus consists of the following:

	2011	2010
	$	$
January 2011 Adjustments to TPLC net Assets	20,057	–
Income from Operations	163,637	150,016
Change in net book value of streetlighting assets – Toronto Hydro	3,533	2,984
Change in net book value of water infrastructure assets – Enwave	814	294
Government Business Enterprises Earnings	**188,041**	**153,294**

Related party transactions between the City and its government business enterprises are as follows:

	2011	2010
	$	$
Received by the City:		
The City has a loan receivable outstanding at December 31, 2011 with Toronto Port Lands Company on a construction loan facility	128,500	128,500
Purchased by the City:		
This amount is included in revenues of Toronto Hydro Corporation in the condensed financial results reported in Appendix 1 to these consolidated financial statements		
Streetlighting, electricity, and maintenance services from Toronto Hydro Corporation	147,469	141,912

Principal repayment due dates of long-term debt of the GBEs are as follows:

	Total	Due to City	Due to Others
	$	$	$
2012	131,068	128,500	2,568
2013	470,176	–	470,176
2014	868	–	868
2015	998	–	998
2016	1,961	–	1,961
Thereafter	1,085,422	–	1,085,422
	1,690,493	**128,500**	**1,561,993**

The City's GBEs are committed to the following minimum annual operating lease payments:

	$
2012	29,475
2013	24,963
2014	8,480
2015	7,451
2016	7,256
Thereafter	8,040
	85,665

There are 5 joint venture agreements between TPA and private developers, which generally provide for the sale of above-grade strata air rights and the acquisition of parking garages. These agreements cover 1,265 parking spaces and will require an outlay of $13,570.

Enwave has entered into contractual arrangements, in the ordinary course of business, to purchase and transport natural gas, at fixed and variable prices, to be used in the production process through October 2012. The estimated value of the gas to be purchased through these contracts is $19,116.

6. Bank indebtedness

The City has an unsecured demand revolving credit facility in the amount of $100,000 (2010 - $100,000) bearing interest at the bank's prime rate with an effective rate during 2011 of 3.00% (2010 – 3.00%) per annum.

TCHC has a committed revolving credit facility of $200,000 (2010 - $200,000) that is available for short-term advances and letters of credit, of which $70,860 (2010 - $63,176) has been utilized. Short-term advances are available by way of Bankers' Acceptance ("BA") and are repayable at maturity of the term on various dates throughout 2012. Interest charges are at the BA rate plus 1.10% for an effective rate of 2.36% (2010 - 2.22%) per annum. As at December 31, 2011, TCHC also has outstanding letters of credit of $6,499 (2010 - $10,716).

On May 29, 2010, Build Toronto Inc. re-financed its loan payable by entering into an interest only bridge loan of $29,000 with a government agency, bearing interest at bank prime, and maturing May 28, 2011. On March 18, 2011, the company refinanced its loan payable with the same government agency for $34,500 of which $29,037 is to replace the earlier loan, with the balance of $5,463 available to be drawn. The new facility bears interest at a floating rate reset monthly to the government agency's borrowing rate for the first three years, after which it will be fixed. As at December 31 the rate is 1.95%. Payments during the first three years of the facility are on an interest only basis, with the principal portion of the loan to be repaid over the subsequent 25 years.

Bank indebtedness consists of the following:

	2011	2010
	$	$
City, net outstanding cheques	41,035	43,153
TCHC	70,860	63,176
Build Toronto Inc.	32,815	29,000
	144,710	**135,329**

7. Accounts Payable and Accrued Liabilities

Accounts payable consist of the following:

	2011	2010
	$	$
Trade payables and accruals	1,542,485	1,588,567
School boards	260,470	182,805
Provision for assessment appeals on property taxes paid	487,309	452,766
Credit balances on property tax accounts	41,657	57,852
Wages accruals	203,992	161,537
	2,535,913	**2,443,527**

8. Deferred Revenue

(a) Obligatory reserve funds

Revenues received that have been set aside for specific purposes by Provincial legislation, certain City bylaws, or agreements are included in deferred revenue and reported on the consolidated statement of financial position.

Details of these deferred revenues are as follows:

	2011	2010
	$	$
Restricted by Provincial legislation		
Development Charges	317,368	273,942
Recreational Land (Planning Act)	261,055	204,200
Subdividers' Deposits	13,741	13,724
Building Code Act Service Improvement	15,370	11,168
Provincial Gas Tax	5,009	–
	612,543	503,034
Restricted by other agreements		
Public Transit Funds	383,520	485,136
Water and Wastewater	30,900	2,674
Community Services	70,738	67,129
Third Party Agreements	21,476	25,424
State of Good Repair	10,765	9,966
Parking Authority	2,858	2,423
	520,257	592,752
Total obligatory reserve funds	**1,132,800**	**1,095,786**

(b) Advanced payments and contributions

Revenues received for advance payments for tickets and building permits, program registration fees, contributions from developers according to Section 37 of the Planning Act and revenues deferred for TCHC's capital asset replacements are included in deferred revenue and reported on the consolidated statement of financial position. Details of these deferred revenues are as follows:

	2011	2010
	$	$
Community Services	59,956	62,710
Building Code Act	39,642	29,394
Section 37/45	-	1,519
Long-Term Care – Public Health and Housing	10,358	8,811
Police	1,654	5,734
Parks	5,212	6,811
MetroLinx – Union Station	28,429	–
Other	79,885	86,391
Agencies, Boards and Community Centres	154,657	142,483
Total advance payments and contributions	**379,793**	**343,853**
(c) Total Deferred Revenue (8 (a) and 8 (b))	**1,512,593**	**1,439,639**

9. Other Liabilities

Other liabilities consist of the following:

	2011	2010
	$	$
Property and liability claims provision (Note 16b)	296,221	218,808
TTC – unsettled accident claims (Note 16b)	157,833	142,884
TPLC – environmental liabilities	–	47,663
Build Toronto – environmental liabilities	20,010	–
TTC – environmental liabilities (Note 16h)	13,400	6,218
Other	68,282	61,431
	555,746	**477,004**

10. Landfill Closure and Post-Closure Liabilities

The Ontario Environmental Protection Act (the "Act") sets out the regulatory requirements for the closure and maintenance of landfill sites. Under the Act, the City is required to provide for closure and post-closure care of solid waste landfill sites. The costs related to these obligations are provided for all inactive landfill sites and active landfill sites based on usage.

Active Sites

In 2007, the City acquired the Green Lane Landfill, securing the City's long-term disposal requirements. The landfill is located in the Township of Southwold, Elgin County, Ontario. The landfill is projected to reach its approved capacity by the end of 2034, based on Toronto achieving a 70% residential waste diversion rate. The post-closure care period is expected to occur in perpetuity.

The estimated liability for the care of this landfill site is the present value of future cash flows associated with closure and post-closure costs discounted using the City's average long-term borrowing rate of 5% (2010 – 5%). The estimated present value of future expenditures for closure and post-closure care as at December 31, 2011 is $3,022 (2010 - $3,088), based on the percentage of total approved capacity used of 30.37% (2010 - 26.36%).

In order to help reduce the future impact of these obligations, the City has established two reserve fund accounts. The Green Lane account holds surpluses from the operations of the Green Lane landfill site, and the Green Lane Perpetual Care account provides funding for the future costs of long-term post-closure care of the Green Lane landfill site. The balance in the Green Lane account as at December 31, 2011 was $12,148 (2010 - $482) and the balance in the Green Lane Perpetual Care account as at December 31, 2011 was $1,527 (2010 - $878). Total contributions to the Green Lane Perpetual Care account of $640 (2010 - $221) were based on a contribution rate of 88¢ (2010 - 70¢) per tonne of waste disposed. Both of these reserve fund accounts are included as part of The State of Good Repair Reserve Fund (Note 17).

Inactive Sites

The City has identified 160 (2010 – 160) inactive landfill sites for which it retains responsibility for all costs relating to closure and post-closure care (Note 16i).

Post-closure care activities for landfill sites are expected to occur in perpetuity and will involve surface and ground water monitoring, maintenance of drainage structures, monitoring leachate and landfill gas, and maintenance of the landfill cover.

The estimated liability for the care of inactive landfill sites is the present value of future cash flows associated with closure and post-closure costs discounted using the City's average long-term borrowing rate of 5% (2010 – 5%). The estimated present value of future expenditures for post-closure care as at December 31, 2011 was $118,418 (2010 – $117,970).

In order to help reduce the future impact of these obligations, the City has established a reserve fund for the care of these sites and maintains a trust fund in satisfaction of requirements of the Ministry of the Environment. The balance in the solid waste management perpetual care reserve fund as at December 31, 2011 was $24,859 (2010 - $29,998) and is included as part of the State of Good Repair Reserve Fund (Note 17), and the balance in the Keele Valley Site Post-Closure Trust Fund as at December 31, 2011 was $7,444 (2010 - $7,421) (Note 22).

The total landfill closure and post-closure liabilities are as follows:

	2011	2010
	$	$
Active landfill site (Green Lane)	3,022	3,088
Inactive landfill sites	118,418	117,970
	121,440	**121,058**

Landfill closure and post-closure costs totaling $5,899 (2010 - $5,390) were expensed during the year.

11. Mortgages Payable

Mortgages payable are as follows:

	2011	2010
	$	$
Mortgages issued by TCHC, bearing interest at rates ranging from 2.86% to 11.00% (2010 – 2.65% to 13.27%) per annum, with maturities ranging from 2012 to 2048, and collateralized by housing properties owned by TCHC with a net book value of approximately $1,519,606 (2010 - $1,477,000)	773,590	803,636

Principal repayments are due as follows:

	$
2012	41,242
2013	43,339
2014	45,377
2015	47,497
2016	48,186
Thereafter	547,949
	773,590

Principal payments made in 2011 were $30,046 (2010 - $36,991).

12. Net Long-Term Debt

Provincial legislation restricts the use of long-term debt to finance only capital expenditures. Provincial legislation allows the City to issue debt on behalf of the Toronto District School Board ("TDSB") at TDSB's request. The responsibility of raising the amounts to service these liabilities lies with TDSB. The debt is a direct, joint and several obligation of the City and TDSB.

The net unsecured long-term debt reported on the consolidated statement of financial position comprises the following:

	2011	2010
	$	$
Debentures issued by the City, bearing interest at various rates ranging from 3.50% to 8.65% (2010 –1.56% to 8.65%) per annum, maturing from 2012 to 2041.	4,084,990	3,682,670
Debt issued by TCHC bearing interest at various rates ranging from 4.55% to 5.39% (2010 – 4.55% to 5.39%) per annum, maturing from 2012 to 2043. Included in this debt is a non-revolving term loan of $40,432 (2010 - $42,928) bearing interest at the 30-day BA rate plus 0.2% for an effective rate of 1.20% (2010 – 1.32%) per annum and maturing in 2018. TCHC has entered into an interest rate swap agreement to fix the term loan rate at 4.55% plus a 20 basis point BA stamping fee, maturing February 15, 2018. The estimated fair value loss of the interest rate swap at December 31, 2011 is $6,119 (2010 - $4,193).	508,283	574,315
Debentures issued by the City on behalf of the TDSB, bearing interest at 6.1% (2010 – 6.1%) per annum, maturing from 2012 to 2037.	75,846	75,846
Loans payable to the Province, bearing interest at 2.76% (2010 – 2.76%) per annum, with no fixed maturity date.	170,171	170,171
Loan payable, bearing interest at 8.05% (2010 – 8.05%) per annum, maturing in 2018.	1,078	1,194
Debt issued by Lakeshore Arena Corporation ranging from 1.60% to 5.23%. Included in this debt is a fixed rate loan with interest at 5.23% with principal payable monthly and a lump sum payment due October 31, 2017, as well as 3 floating rate loans with interest rates from 1.60% to 4.25% with full settlement due September 30, 2014.	39,547	–
Sinking fund deposits bearing interest at rates between 4% and 6% (2010 – 4% to 6%) per annum.	(1,570,039)	(1,571,693)
Sinking fund deposits – TDSB, bearing interest at 5% (2010 – 5%) per annum.	(45,656)	(42,031)
	3,264,220	**2,890,472**

Principal repayments are due as follows:

	$
2012	464,320
2013	351,014
2014	357,087
2015	306,841
2016	255,797
Thereafter	1,529,161
	3,264,220

Principal payments made in 2011 were $198,898 (2010 - $816,666).

Included in net long-term debt are outstanding debentures of $3,848,000 (2010 - $3,398,000) for which there are sinking fund assets with a carrying value of $1,615,652 (2010 - $1,613,692) and a market value of $1,777,100 (2010 - $1,704,817).

Sinking fund assets are comprised of short-term notes and deposits, government and government-guaranteed bonds and debentures, and corporate bonds. Government and government-guaranteed bonds and debentures include City of Toronto debentures with a carrying value of $146,944 (2010 - $138,574) and a market value of $168,079 (2010 - $151,172).

The City's net long-term debt is to be recovered from the following sources:

	2011	2010
	$	$
Property taxes	2,686,200	2,282,342
TCHC	508,283	574,315
Lakeshore Arena	39,547	–
TDSB	30,190	33,815
	3,264,220	**2,890,472**

13. Employee Benefit Liabilities

Employee benefit liabilities as at December 31 are as follows:

	2011	2010
	$	$
Future payments required for:		
Sick leave benefits (a)(i)	479,559	434,545
WSIB obligations (a)(ii)	459,565	410,670
Other employment and post-employment benefits (a)(iii)	2,115,655	1,799,982
Pension liabilities (b)	123,980	29,185
Total employee accrued benefit obligation	3,178,759	2,674,382
Unamortized actuarial (loss)	(402,592)	(85,425)
Employee benefit liabilities	**2,776,167**	**2,588,957**

The continuity of the City's **employee benefit liabilities**, in aggregate, is as follows:

	2011			
	Total	Employment and post-employment	TTC Pension Plan	City Pension Plans
	$	$	$	$
Balance – beginning of year	2,588,957	2,683,619	(123,847)	29,185
Current service costs	279,397	218,226	61,171	–
Interest cost	106,489	115,284	(4,598)	(4,197)
Amortization of actuarial loss	209,585	7,755	36,844	164,986
Employer contributions	(106,681)	–	(92,055)	(14,626)
Benefits paid	(187,052)	(187,052)	–	–
Plan amendments	67,576	1,875	65,701	–
Change in valuation allowance	(182,104)	–	(130,736)	(51,368)
Balance – end of year	**2,776,167**	**2,839,707**	**(187,520)**	**123,980**

	2010			
	Total	Employment and post-employment	TTC Pension Plan	City Pension Plans
	$	$	$	$
Balance – beginning of year	2,503,414	2,559,328	(165,599)	109,685
Current service costs	239,544	188,681	50,863	–
Interest cost	109,136	119,340	(6,220)	(3,984)
Amortization of actuarial loss/(gain)	(85,591)	1,629	28,253	(115,473)
Employer contributions	(84,785)	–	(84,785)	–
Benefits paid	(194,269)	(183,047)	–	(11,222)
Plan amendments	1,837	(2,312)	4,149	–
Change in valuation allowance	99,671	-	49,492	50,179
Balance – end of year	**2,588,957**	**2,683,619**	**(123,847)**	**29,185**

The continuity of the **accrued benefit obligation**, in aggregate, is as follows:

	2011			
	Total	Employment and post-employment	TTC Pension Plan	City Pension Plans
	$	$	$	$
Balance – beginning of year	6,129,570	2,683,619	1,693,037	1,752,914
Current service cost	279,397	218,226	61,171	–
Interest cost	324,228	115,284	106,701	102,243
Amortization of actuarial loss	128,854	7,755	42,259	78,840
Benefits paid	(443,772)	(187,052)	(83,125)	(173,595)
Plan amendments	67,576	1,875	65,701	–
Balance – end of year	**6,485,853**	**2,839,707**	**1,885,744**	**1,760,402**

	2010			
	Total	Employment and post-employment	TTC Pension Plan	City Pension Plans
	$	$	$	$
Balance – beginning of year	6,014,234	2,559,328	1,564,102	1,890,804
Current service cost	239,544	188,681	50,863	–
Interest cost	323,842	119,340	98,452	106,050
Amortization of actuarial loss/(gain)	(9,412)	1,629	54,944	(65,985)
Benefits paid	(440,475)	(183,047)	(79,473)	(177,955)
Plan amendments	1,837	(2,312)	4,149	–
Balance – end of year	**6,129,570**	**2,683,619**	**1,693,037**	**1,752,914**

The continuity of the **plan asset** is as follows:

	2011			
	Total	Employment and post-employment	TTC Pension Plan	City Pension Plans
	$	$	$	$
Balance – beginning of year	3,667,347	–	1,850,518	1,816,829
Contributions	106,681	–	92,055	14,626
Actual return on assets	73,335	–	53,041	20,294
Benefits paid	(256,720)	–	(83,125)	(173,595)
Balance – end of year	**3,590,643**	**–**	**1,912,489**	**1,678,154**

	2010			
	Total	Employment and post-employment	TTC Pension Plan	City Pension Plans
	$	$	$	$
Balance – beginning of year	3,496,131	–	1,672,091	1,824,040
Contributions	96,007	–	84,785	11,222
Actual return on assets	332,637	–	173,115	159,522
Benefits paid	(257,428)	–	(79,473)	(177,955)
Balance – end of year	**3,667,347**	**–**	**1,850,518**	**1,816,829**

The reconciliation of the plan assets and accrued benefit obligation to the amounts in the statement of financial position is as follows:

	2011			
	Total	Employment and post-employment	TTC Pension Plan	City Pension Plans
	$	$	$	$
Accrued benefit obligation	6,700,925	3,054,779	1,885,744	1,760,402
Plan assets	3,590,643	–	1,912,489	1,678,154
Funding deficit (surplus)	3,110,282	3,054,779	(26,745)	82,248
Unamortized actuarial (losses)	(402,592)	(215,072)	(187,520)	–
Valuation allowance	68,477	–	26,745	41,732
Employee benefit liability (asset)	**2,776,167**	**2,839,707**	**(187,520)**	**123,980**

	2010			
	Total	Employment and post-employment	TTC Pension Plan	City Pension Plans
	$	$	$	$
Accrued benefit obligation	6,091,148	2,645,197	1,693,037	1,752,914
Plan assets	3,667,347	–	1,850,518	1,816,829
Funding deficit (surplus)	2,423,801	2,645,197	(157,481)	(63,915)
Unamortized actuarial (losses) gains	(85,425)	38,422	(123,847)	–
Valuation allowance	250,581	–	157,481	93,100
Employee benefit liability (asset)	**2,588,957**	**2,683,619**	**(123,847)**	**29,185**

The total expenses related to these employee benefits include the following components:

	2011			
	Total	Employment and post-employment	TTC Pension Plan	City Pension Plans
	$	$	$	$
Current service costs	279,397	218,226	61,171	–
Interest cost	106,489	115,284	(4,598)	(4,197)
Amortization of actuarial loss	209,585	7,755	36,844	164,986
Plan amendments	67,576	1,875	65,701	–
Change in valuation allowance	(182,104)	–	(130,736)	(51,368)
Total expense	**480,943**	**343,140**	**28,382**	**109,421**

	2010			
	Total	Employment and post-employment	TTC Pension Plan	City Pension Plans
	$	$	$	$
Current service costs	239,544	188,681	50,863	–
Interest cost	109,136	119,340	(6,220)	(3,984)
Amortization of actuarial loss/(gain)	(85,591)	1,629	28,253	(115,473)
Plan amendments	1,837	(2,312)	4,149	–
Change in valuation allowance	99,671	–	49,492	50,179
Total expense	**364,597**	**307,338**	**126,537**	**(69,278)**

a) Sick leave benefits, WSIB obligations, and other employment and post-employment benefits

Actuarial valuation reports were prepared for the valuation of post-retirement, post-employment, sick leave gratuity and self-insured Workplace Safety Insurance Board ("WSIB") benefit plans for the City, Toronto Police Services and the City's Agencies, Boards and Commissions as at December 31, 2011 with results extrapolated to December 31, 2012. The significant actuarial assumptions adopted in measuring the City's accrued benefit obligations and benefit costs for these post-retirement and post-employment, and other retirement benefits are as follows:

	2011	2010
Discount rate for accrued benefit obligation:		
Post-employment	3.1%	4.0%
Post-retirement	3.8%	4.7%
Sick leave	3.5%	4.4%
WSIB	3.1%	4.0%
Rate of compensation increase	3.0% to 3.75%	3.0% to 3.5%
Health care inflation – LTD, hospital and other medical	7.57% to 10.1%	7.57% to 10.1%
Health care inflation – Dental care	3.8% to 10.1%	3.8% to 10.1%
Health care inflation – Drugs	7.8% to 10.1%	7.6% to 10.1%

	2011	2010
Discount rate for benefit costs:		
Post-employment	4.0%	4.4%
Post-retirement	4.7%	5.3%
Sick leave	4.4%	4.4%
WSIB	4.0%	4.4%
Rate of compensation increase	3.0% to 3.5%	3.0% to 3.5%
Health care inflation – LTD, hospital and other medical	7.57% to 10.1%	7.64% to 10.1%
Health care inflation – Dental care	3.8% to 10.1%	4.0% to 10.1%
Health care inflation – Drugs	7.6% to 10.1%	7.8% to 10.1%

For 2011 benefit costs and year end 2011 benefit obligation, the health care inflation rate for LTD, hospital, other medical, and drugs is assumed to reduce to 4.0% by 2020. The health care inflation rate for dental care is assumed to reduce to 3.0% by 2015.

i. Vested Sick Leave Benefit Liability

Under the sick leave benefit plan, employees are credited with a maximum of 18 days sick time per annum. Unused sick leave can accumulate and employees may become entitled to a cash payment, capped at one half (or 100% for former City of Toronto employees who retire) of unused sick time to a maximum of 130 days when they leave the City's employment. The liability for the accumulated sick leave represents the extent to which sick leave benefits have vested and could be taken in cash by employees on termination of employment. A sick leave reserve fund is established to help reduce the future impact of these obligations.

Effective March 1, 2008, a new short-term disability plan for all management and non-union employees (approximately 4,000) came into effect. Under the new plan, existing employees in this group, who had a vested payout entitlement (10 or more years of service), had their sick days and service frozen as of March 1, 2008 and are entitled to a future payout of this frozen entitlement upon termination based on the former municipality's policy provisions. Employees with less than 10 years of service as of March 1, 2008 had their days frozen and are not be entitled to a future payout. Instead, they can use these days to top up their short-term disability plan, if necessary. The new short-term disability plan does not have a cash payout provision and will help contain sick leave benefit liabilities over time.

In addition, effective July 31, 2009, the City ratified new collective agreements with TCEU Local 416 and CUPE Local 79, which provided for a new Illness or Injury Plan ("IIP") to replace the existing Sick Pay Plan ("SPP") for all employees hired after July 31, 2009. During 2009, all employees hired on or before the date of ratification who were in an SPP were provided with a one-time option to join the new IIP, effective January 1, 2010, and receive a partial payout of their sick credits or freeze their sick credits for a payout upon termination/retirement. As a result, 40% of this group of employees joined the IIP, reducing the City's sick leave liability.

As of December 31, 2011, the balance in the sick leave reserve fund is $14,289 (2010 - $13,657) and is included as part of Employee Benefits Reserve Fund (Note 17). Payments during the year amounted to $35,097 (2010 - $50,333).

ii. WSIB Obligations

The City is a Schedule 2 employer under the Workplace Safety and Insurance Act and, as such, assumes responsibility for financing its workplace safety insurance costs. The accrued obligation represents the actuarial valuation of claims to be insured based on the history of claims with City employees. A Workers' Compensation Reserve Fund was established to help reduce the future impact of these obligations. As at December 31, 2011, the balance in the Workers' Compensation Reserve Fund is $12,090 (2010 - $16,987) and is included as part of the Employee Benefits Reserve Fund (Note 16). Payments during the year by the City to the WSIB amounted to $38,076 (2010 - $41,305).

iii. Other Employment and Post-Employment Benefits

The City provides health, dental, life insurance and long-term disability benefits to certain employees. The accrued liability represents the actuarial valuation of benefits to be paid based on the history of claims with City employees. An employee benefits reserve fund was established to help reduce the future impact of these obligations. As at December 31, 2011, the balance in the employee benefits reserve fund was $138,249 (2010 - $151,942) and is included as part of Employee Benefits Reserve Fund (Note 16). Payments during the year amounted to $55,093 (2010 - $61,962).

b) Pension benefits

i. OMERS Pension Plan

The City makes contributions to the Ontario Municipal Employees' Retirement System plan ("OMERS"), a multi-employer pension plan, on behalf of most of its employees. The plan is a defined benefit plan that specifies the amount of the retirement benefit to be received by the employees based on length of service and rates of pay. Employees and employers contribute jointly to the plan.

Because OMERS is a multi-employer pension plan, the City does not recognize any share of the pension plan deficit of $9,627,000 (2010 - $6,745,000) based on the fair market value of the Plan's assets, as this is a joint responsibility of all Ontario municipalities and their employees. Employer contributions for current service amounted to $145,214 (2010 - $126,997) and were matched by employee contributions in a similar amount.

The amount contributed for past service to OMERS for the year ended December 31, 2011 was $835 (2010 - $539). Employer's contributions for current and past service are included as an expenditure on the consolidated statement of operations and accumulated surplus.

ii. TTC Pension Plan

The TTC participates in a multi-employer, defined benefit/defined contribution hybrid pension plan (the "hybrid pension plan") that covers substantially all of its employees. The pension plan is operated by the Toronto Transit Commission Pension Fund Society (the "Society"), a separate legal entity. The Society provides pensions to members, based on the length of service and average base year (pensionable) earnings. The Society also

administers defined benefit supplemental plans designed to pay employees and executives the difference between their earned pension under the by-laws of the Society and the maximum allowable pension under the Income Tax Act (Canada). The City has accounted for its 50% portion of the plan in accordance with the standards for defined benefit plans.

Actuarial valuations of the pension plan are carried out each year, as at December 31, with the most recent valuation carried out on December 31, 2011. Plan assets are carried at market value. Since there is uncertainty about the TTC's right to the funded surplus, these amounts have not been reflected in the consolidated statement of financial position. As a result, the accrued benefit asset as at December 31, 2011 and 2010 is comprised solely of unamortized actuarial losses.

The significant actuarial assumptions for the TTC Pension plan are as follows:

	2011	2010
Discount rate	6.00%	6.25%
Expected rate of return on plan assets	6.00%	6.25%
Rate of increase in salaries	3.75%	3.50%
Inflation rate	2.25%	2.00%
Assumptions for disclosure:		
Discount rate	5.75%	6.00%
Expected rate of return on plan assets	5.75%	6.00%
Rate of increase in salaries	3.75%	3.75%
Inflation rate	2.25%	2.25%

iii. City Sponsored Pension Plans

The City sponsors five defined benefit pension plans that provide benefits to employees who were employed prior to the establishment of the OMERS pension plan. The plans cover closed groups of employees hired prior to July 1, 1968 and provide for pensions based on length of service and final average earnings.

The plans provide increases in pensions to retirees and their spouses to the extent that an actuarial surplus is available. As at December 31, 2011, there were 7 (2010 – 15) active members with an average age of 66 (2010 – 65). There were also 4,323 (2010 – 4,702) pensioners and 2,814 (2010 – 2,827) spousal beneficiaries in receipt of a pension, with an average age of 79. Pension payments and refunds during the year were approximately $173,595 (2010 - $177,955).

Employees contribute a portion (varying amounts ranging from 5.0% to 5.5%) of their salary to the pension plans for current service and the City contributes an equal amount. Member contributions cease upon completion of 35 years of service.

While the City and employees are required to contribute equal amounts into the pension plans, the City retains the risk of the accrued benefit obligation.

Actuarial valuations for funding purposes for each of the five plans are carried out annually using the projected benefit method pro-rated on service. The most recent actuarial funding reports were prepared as at December 31, 2011. The accrued benefit obligation as at December 31, 2011 is based on actuarial valuations for accounting purposes as at December 31, 2011. The actuarial gains or losses in each of the five plans are accounted for in 2011.

The actuarial valuations were based on a number of assumptions about future events, such as inflation rates, interest rates, wage and salary increases, and employee turnover and mortality. The assumptions used reflect the City's best estimates. The inflation rate is estimated at 2.25% to 2.50% per annum (2010 –2.25% to 2.50%) and the rate of compensation increase is estimated at 3.50% per annum (2010 – 3.50% to 4.50%) for determining the accrued benefit obligation. The discount rates used to determine the December 31, 2011 accrued benefit obligations is 5.70% (2010 – 5.90% to 6.25%) and the discount rate used to determine the fiscal 2011 benefit cost is 5.90% to 6.25% (2010 – 6.00% to 6.50%) per annum.

Pension plan assets are valued at market values. The expected rate of return on plan assets is 5.90% to 6.25% (2010 – 6.00% to 6.50%) per annum, net of all administrative expenses. The actual return on the market value of plan assets during the year was a gain of 2.30% (2010 – 9.34%). The pension plans hold the following mix of assets: Cash and equivalents of 2.4%, bonds and fixed income of 50.6%, Canadian equities of 20.9% and Foreign equities of 26.1%.

As at December 31, 2011 one plan (2010 – two plans), the Toronto Civic Employees Pension Plan is in a surplus position. Since there is uncertainty about the City's right to this accrued benefit asset, this amounts has not been reflected in the consolidated statement of financial position.

The other four plans (2010 – three plans), Metropolitan Toronto Police Pension Plan, City of York Employee Pension Plan, Metropolitan Toronto Pension Plan, and Toronto Firefighters Pension Plan, are in a deficit position. The net actuarial deficits of these plans are included in employee benefit liabilities on the consolidated statement of financial position as at December 31 and include the following components:

	2011			2010
	Pension assets – market value – end of year	Actuarial pension obligation – end of year	Net actuarial surplus (deficit)	Net actuarial surplus (deficit)
	$	$	$	$
Toronto Civic Employees Pension Plan	341,647	299,915	41,732	77,167
Metropolitan Toronto Pension Plan	520,157	550,027	(29,870)	15,933
Metropolitan Toronto Police Pension Plan	523,187	576,882	(53,695)	(21,153)
City of York Employee Pension Plan	46,359	51,299	(4,940)	(3,944)
Toronto Firefighters Pension Plan	246,804	282,279	(35,475)	(4,088)
Total of plans in deficit			**(123,980)**	**(29,185)**

14. Tangible capital assets

Tangible capital assets consist of the following:

	2011			2010
	Cost	Accumulated amortization	Net book value	Net book value
	$	$	$	$
General				
Land	3,495,721	–	3,495,721	3,538,445
Land Improvements	627,924	305,736	322,188	325,499
Buildings and building improvements	6,169,364	2,160,676	4,008,688	3,835,180
Machinery and equipment	1,578,586	914,389	664,197	575,294
Motor vehicles	1,956,927	1,209,100	747,827	802,318
Total General	**13,828,522**	**4,589,901**	**9,238,621**	**9,076,736**
Infrastructure				
Land	137,676	–	137,676	137,676
Buildings and building improvements	384,794	125,825	258,969	244,662
Machinery and equipment	1,493,362	832,963	660,399	574,497
Water and wastewater linear	5,110,148	1,880,570	3,229,578	3,166,652
Roads linear	3,929,635	1,809,276	2,120,359	2,075,555
Transit	5,388,230	3,305,897	2,082,333	1,936,496
Total Infrastructure	**16,443,845**	**7,954,531**	**8,489,314**	**8,135,538**
Assets under construction	**2,901,090**	–	**2,901,090**	**2,376,829**
Total	**33,173,457**	**12,544,432**	**20,629,025**	**19,589,103**

General capital assets include those assets which are not part of a network. Land includes all of the City's land except land under the roads. Land improvements included outdoor parks and recreation facilities, land improvements around buildings, and the active landfill site. Buildings include office buildings, community centres, police, fire and ambulance stations, TCHC housing units and transit buildings. Machinery and equipment includes equipment used by Fire and Emergency Medical Services as well as computers and furniture. Corporate fleet and transit buses make up the vehicle assets.

Infrastructure assets are described as those capital assets which are part of one of three networks: roads, water/wastewater, and transit. The land within this category is the value of the land under the City's roads. Water and wastewater treatment plants, pumping stations, and storm facilities are included within infrastructure buildings and building improvements. Machinery and equipment include expressway signs and traffic signals, as well as equipment within the water and wastewater treatment plants and pumping stations related to the relevant processes. Water and wastewater infrastructure include the pipe networks which deliver the water and which remove the waste water. Road networks are inclusive of the road bases, surfaces and sidewalks. Transit infrastructure includes assets related to the subway system, rolling stock, track work and power distribution.

General machinery and equipment includes capital leases totaling $13,679 (2010 - $15,078).

Contributed (Donated) Tangible Capital Assets

Contributed tangible capital assets are recognized at fair market value at the date of contribution. Contributed assets received during the year were valued at $10,661 (2010 - $1,197), all of which were land contributions.

Tangible Capital Assets Recognized at Nominal Value

Tangible capital assets are recognized at nominal value whenever fair value cannot be determined. Land is the only capital asset category which includes nominal values and these are primarily for small parcels of land such as reserve strips and walkways.

Works of Art and Historical Treasures

The City of Toronto owns both works of art and historical treasures at various City owned facilities such as Casa Loma, Old City Hall, and its museums, such as Fort York. The City of Toronto maintains and preserves these assets because of their historical and cultural significance. These assets are not recorded as tangible capital assets and are not amortized.

Impairment of Tangible Capital Assets

Capital asset condition and state of good repair reviews are conducted on regular basis to assess potential impairments. Minor impairments are addressed through the capital plans. Any capital assets which are significantly impaired are written down by the value of the impairment.

Additional information on the City's tangible capital assets is provided in Schedule 1.

15. Inventories and Prepaid Expenses

	2011	2010
Prepaid Expenses	40,860	133,846
Inventories	179,656	118,985
Inventories of Surplus Property	73,827	28,758
	294,343	**281,589**

16. Commitments and contingencies

a) The City is subject to various litigation and claims arising in the normal course of its operations. The final outcome of the outstanding claims cannot be determined at this time. However, management believes that the ultimate disposition of these matters will not materially exceed the amounts recorded in the accounts. Any amendment to amounts accrued will be recorded once new information becomes available.

b) Exposures on property, liability, and accident claims are covered by a combination of self-insurance and coverage with insurance carriers. Provisions for property, liability and accident claims are recorded in other liabilities (Note 9) on the consolidated statement of financial position in the aggregate amount of $454,054 (2010 - $361,692).

c) In February 2005, December 2007, December 2008 and October 2009, contracts were awarded by the TTC for purchase of low-floor buses which comprised 694 diesel-electric hybrid buses and 395 diesel buses at a total purchase price of $755,500. At December 31, 2011, 60 of the 395 diesel buses are still to be delivered and the outstanding commitment is $71,100.

d) On December 21, 2006, a contract was awarded by the TTC for the purchase of 234 subway cars or 39 train sets. In May 2010, the TTC approved purchasing an additional 10 subway trainsets for the Toronto-York Spadina Subway line extension and 21 H6 replacement trainsets for the total cost of $1,214,300. The first trainset was delivered in October 2010. At December 31, 2011, 13 trainsets had been delivered at a cost of $158,000. As at December 31, 2011, TTC had made further progress payments of $543,600, which is included in assets under construction, and the Commission had incurred costs to date of $701,600. The outstanding commitment as at December 31, 2011 is $512,700.

e) In October 2008 and September 2010, contracts were awarded by the TTC for the purchase of 198 Wheel-Trans low-floor para-transit buses at a total cost of $71,000. At December 31, 2011, 110 buses had been delivered at a cost of $36,600. No buses were received in 2011. At December 31, 2011, the outstanding commitment is $34,400.

f) On June 26, 2009, a contract was awarded by the TTC for the design and supply of 204 Light Rail Vehicles ("LRVs") at a total cost of $990,200. As at December 31, 2011, the TTC had incurred costs of $280,300, which is included in assets under construction. The first delivery of the LRVs is scheduled for 2012 and all 204 cars are to be delivered by 2018. At December 31, 2011, the outstanding commitment is $709,900.

g) At December 31, 2011, the TTC has other various capital project contractual commitments of $1,353,600 (2010 - $640,600). Of this amount, contractual commitments of $1,048,200 (2010 - $342,900) relate to the Toronto York Spadina Subway Extension project and $40,400 (2010 - $68,800) relate to Metrolinx projects.

h) The TTC has a long-term provision for environmental costs of $13,400 (2010 - $8,520) to cover estimated costs of remediating sites with known contamination for which the TTC is responsible. Given that the estimate of environmental liabilities is based on a number of assumptions, actual costs may vary. The estimated amounts of

future restoration costs are reviewed regularly, based on available information and governing legislation. Provisions for environmental costs are recorded in other liabilities (Note 9) on the consolidated statement of financial position.

i) The Ministry of the Environment has issued Certificates of Approval for 29 (2010 – 28) of the identified 160 (2010 – 160) inactive landfill sites. Applications for Certificates of Approval at other inactive sites may be required prior to the commencement of any remediation work. It is not possible to quantify the effect, if any, of this request on these consolidated financial statements beyond those amounts recorded as landfill closure and post-closure liabilities (Note 10).

j) Council has approved the Policy for the Provision of Line of Credit and Loan Guarantees for Cultural and Community-Based Organizations that have a financial relationship with the City. The Capital Loan and Line of Credit Guarantee Policy is limited to an aggregate of $125,000 and the Operating Loan and Line of Credit Policy is limited to an aggregate of $10,000 that can be issued by the City to these organizations. At December 31, 2011 the City had provided capital loan guarantees to certain third parties amounting to $64,450 (2010 - $58,650), and operating loan and line of credit guarantees of $4,300 (2010 - $4,300), primarily related to several cultural non-profit organizations.

k) At December 31, 2011, the City is committed to future minimum annual operating lease payments for premises and equipment as follows:

	$
2012	51,729
2013	40,175
2014	30,078
2015	24,695
2016	19,046
Thereafter	62,237
	227,960

17. Accumulated Surplus

Accumulated surplus is comprised of the following:

	2011	2010
	$	$
Invested in tangible capital assets (Note 14)	20,629,025	19,589,103
Operating fund	2,578,673	2,046,730
Capital fund	(786,582)	(910,537)
Reserves and reserve funds	1,305,804	1,355,092
	23,726,920	22,080,388
Amounts to be recovered from future revenues:		
Mortgages (Note 11)	(773,590)	(803,636)
Net long-term debt (Note 12)	(3,264,220)	(2,890,472)
Recoverable from TDSB (Note 12)	30,190	33,815
Landfill closure and post-closure liabilities (Note 10)	(121,440)	(121,058)
Employee benefits (Note 13)	(2,776,167)	(2,588,957)
Other	(309,621)	(225,026)
	(7,214,848)	(6,595,334)
	16,512,072	**15,485,054**

Reserves and reserve funds consist of the following:

	2011	2010
Reserves:	$	$
Corporate	288,761	319,724
Stabilization	162,244	151,914
Water and Wastewater	31,516	56,564
Donations	2,014	2,045
Community Initiatives	23	23
	484,558	530,270
Reserve Funds:		
Employee Benefits (Note 13)	164,627	182,586
Corporate	439,475	414,402
Community Initiatives	78,927	91,277
State of Good Repair	138,217	136,557
	821,246	**824,822**

18. Budget Data – unaudited

Budget data presented in these consolidated financial statements are based upon the 2011 operating and capital budgets approved by Council. Adjustments to budgeted values were required to provide comparative budget values based on the full accrual basis of accounting. The chart below reconciles the approved budget with the budget figures as presented in these consolidated statements.

	Budget Amount $
Revenue	
Approved budgets:	
Operating	9,339,211
Capital	3,028,687
Reserve	39,201
	12,407,099
Adjustments:	
Proceeds on disposal of assets	–
Proceeds on debt issue	(1,112,969)
Total revenue	**11,294,130**
Expenses	
Approved budgets:	
Operating	9,538,025
Capital	3,574,173
	13,112,198
Adjustments:	
Tangible Capital Assets (TCA)	(2,840,000)
Amortization	900,000
Debt principal repayments	(224,088)
Total expenses	**10,948,110**
Annual surplus	**346,020**

19. Funding Transfers from Other Governments

	2011 $	2010 $
General government	144,222	106,000
Protection to persons & property	44,184	50,553
Transportation	633,139	664,285
Environmental services	63,437	106,062
Health services	266,485	256,048
Social and family services	1,500,083	1,548,849
Social Housing	416,169	372,880
Recreation and cultural services	35,277	31,578
Planning and development	45,355	36,987
	3,148,351	**3,173,242**

20. Expenses by Object

Expenses by object comprise the following:

	2011	2010
	$	$
Salaries, wages and benefits	5,053,751	4,826,928
Materials	1,034,737	1,072,005
Contracted services	1,494,990	1,386,031
Interest on long-term debt	267,240	273,275
Transfer payments	1,677,193	1,636,974
Amortization (Schedule 1)	814,522	1,018,351
Other	307,638	328,614
	10,650,071	**10,542,178**

21. Segmented Information

The City provides a wide range of services to its citizens. Certain services are delivered on behalf of another level of government, a number of services are cost shared, and some services are fully funded by the municipality. Services are delivered through a number of different agencies, boards, commissions, and divisions, with certain services delivered directly, while others may be fully or partially contracted through other organizations.

For each reported segment, revenues and expenditures represent both amounts that are directly attributable to the segment, as well as amounts that are allocated to the segment on a reasonable basis. The accounting policies used in the segments are consistent with the accounting policies followed in the preparation of these consolidated financial statements as disclosed in Note 1.

The segmented information is provided in Appendices 2 to 4 of the consolidated financial statements.

Appendix 2 includes the following segments:

- **General government** is comprised of Council, administration and amounts paid to the Municipal Property Assessment Corporation. These divisions are responsible for bylaws and administrative policies, levying taxes, acquiring and managing City assets, ensuring effective financial management, planning and budgeting, monitoring financial and operating performance, and ensuring that high quality City service standards are met.

- **Protection to persons and property** is comprised of police, fire and other protective services such as By-law Enforcement, Animal Control, Vehicle and Business Licensing, Security and Provincial Offences. These groups maintain the safety and security of all citizens by reducing or eliminating loss of life and property, maintaining law enforcements, and preserving peace and good order.

- **Transportation** includes transit, roads, traffic and parking services. Transit services provide local public transportation for all citizens within the City of Toronto. Other transportation services provide planning, development, and maintenance of roads, traffic operations, parking, winter control and street lighting.

- **Environmental services** include water supply and distribution, wastewater treatment, and waste and recycling services. These services provide clean drinking water to residents, collect and treat wastewater, and collect and properly process waste and recycling items.

- **Health services** include paramedic and mandated health services. Mandated health services promote and maintain health programs that optimize the health of residents. Paramedic Services deliver timely and effective care for pre-hospital emergency care, along with medically required inter-hospital transportation.

- **Social and family services** include social assistance, long-term care and child care services. Social assistance services determine, issue, and monitor clients' eligibility for financial, social, and employment assistance. Long-term care services provide secure and supervised health services for seniors who can no longer live at home. Child care services provide subsidized child care spaces and provide funding for wage subsidy, pay equity, and special needs.

- **Social housing** provides a range of services including high-quality housing for low and moderate income tenants, emergency shelters, outreach, search, and stabilization to people in the community.

- **Recreation and cultural services** include parks services, recreational programs, recreation facilities, Golf courses, libraries, museums and other cultural services and activities. Parks and recreation services develop and deliver high-quality recreational programs, and develop and maintain recreational facilities, parks and sports fields to ensure all residents have the opportunity to enjoy a healthy lifestyle. Cultural services invest in local non-profit organizations that deliver services on behalf of the City. Library services provide public library services to the citizens via physical facilities, bookmobile, virtual and telephone services.

- **Planning and development** manages urban development for residential and business interests as well as infrastructure. It includes planning and zoning, commercial and industrial developments and forestry.

Appendix 3 and 4 reflect disclosure by entity which are significant agencies, boards and commissions for the City of Toronto.

22. Trust Funds

Trust funds administered by the City amounting to $26,888 (2010 - $26,673) have not been included on the consolidated statement of financial position nor have their operations been included in the consolidated statement of operations and accumulated surplus. Trust fund balances as at December 31 are as follows:

	2011	2010
	$	$
Development Charges Trust Fund – Railway Lands	7,619	7,145
Keele Valley Site Post-Closure Trust Fund (Note 10)	7,444	7,421
Homes for the Aged Trust Fund – Residents	6,160	6,429
Community Services Levies Trust Fund	1,179	1,167
Contract Aftercare Trust Fund	1,065	1,056
Waterpark Place Trust Fund	1,053	1,041
90 Lisgar Street Trust Fund	607	599
Development Charges Trust Fund – Queen's Quay	527	522
Heritage and Culture Trust Funds	392	388
Lakeshore Pedestrian Bridge Trust Fund	242	239
Children's Greenhouse Trust Fund – Allan Gardens	110	109
Green Lane Small Claims Trust Fund	106	105
Police Trust Funds	33	64
Candidates' Municipal Election Surpluses Trust Fund	28	62
Other trust funds	323	326
	26,888	**26,673**

23. Comparative Consolidated Financial Statements

The comparative consolidated financial statements have been regrouped from statements previously presented to conform with the presentation adopted in 2011.

CONSOLIDATED SCHEDULE OF TANGIBLE CAPITAL ASSETS – SCHEDULE 1

As at and for the year ended December 31, 2011

(all dollar amounts in thousands of dollars)

2011

	Cost 2011					Accumulated Amortization 2011				Net Book Value 2011
	Beginning	Additions	Disposals / Transfers	Donated	Ending	Beginning	Amortization	Disposals	Ending	
General										
Land	3,538,445	25,863	(79,143)	10,556	3,495,721	–	–	–	–	3,495,721
Land Improvements	614,863	24,532	(11,576)	105	627,924	289,364	19,015	(2,643)	305,736	322,188
Buildings and building improvements	5,825,861	489,636	(146,133)	–	6,169,364	1,990,681	189,021	(19,026)	2,160,676	4,008,688
Machinery and equipment	1,399,909	230,991	(52,314)	–	1,578,586	824,615	134,481	(44,707)	914,389	664,197
Vehicles	1,932,757	71,333	(47,163)	–	1,956,927	1,130,439	124,185	(45,524)	1,209,100	747,827
Total General	**13,311,835**	**842,355**	**(336,329)**	**10,661**	**13,828,522**	**4,235,099**	**466,702**	**(111,900)**	**4,589,901**	**9,238,621**
Infrastructure										
Land	137,676	–	–	–	137,676	–	–	–	–	137,676
Buildings and building improvements	365,650	19,144	–	–	384,794	120,988	4,837	–	125,825	258,969
Machinery and equipment	1,376,525	124,911	(8,074)	–	1,493,362	802,028	37,460	(6,525)	832,963	660,399
Water and wastewater linear	4,999,822	141,584	(31,258)	–	5,110,148	1,833,170	60,473	(13,073)	1,880,570	3,229,578
Roads linear	3,820,548	137,121	(28,034)	–	3,929,635	1,744,993	86,521	(22,238)	1,809,276	2,120,359
Transit	5,087,432	304,366	(3,568)	–	5,388,230	3,150,936	158,529	(3,568)	3,305,897	2,082,333
Total infrastructure	**15,787,653**	**727,126**	**(70,934)**	**–**	**16,443,845**	**7,652,115**	**347,820**	**(45,404)**	**7,954,531**	**8,489,314**
Assets under construction	**2,376,829**	**818,791**	**(294,530)**	**–**	**2,901,090**	**–**	**–**	**–**	**–**	**2,901,090**
TOTAL	**31,476,317**	**2,388,272**	**(701,793)**	**10,661**	**33,173,457**	**11,887,214**	**814,522**	**(157,304)**	**12,544,432**	**20,629,025**

CONSOLIDATED SCHEDULE OF TANGIBLE CAPITAL ASSETS – SCHEDULE 1

As at and for the year ended December 31, 2010

(all dollar amounts in thousands of dollars)

2010

	Cost 2010					Accumulated Amortization 2010				Net Book Value 2010
	Beginning	Additions	Disposals / Transfers	Donated	Ending	Beginning	Amortization	Disposals	Ending	
General										
Land	3,507,105	44,952	(14,809)	1,197	3,538,445	–	–	–	–	3,538,445
Land Improvements	589,364	28,953	(3,454)	–	614,863	279,690	12,994	(3,320)	289,364	325,499
Buildings and building improvements	5,264,908	579,505	(18,552)	–	5,825,861	1,804,166	187,047	(532)	1,990,681	3,835,180
Machinery and equipment	1,346,966	91,091	(38,148)	–	1,399,909	708,527	163,263	(47,175)	824,615	575,294
Vehicles	1,840,514	156,030	(63,787)	–	1,932,757	967,922	205,500	(42,983)	1,130,439	802,318
Total General	**12,548,857**	**900,531**	**(138,750)**	**1,197**	**13,311,835**	**3,760,305**	**568,804**	**(94,010)**	**4,235,099**	**9,076,736**
Infrastructure										
Land	133,302	4,374	–	–	137,676	–	–	–	–	137,676
Buildings and building improvements	365,650	–	–	–	365,650	116,230	4,758	–	120,988	244,662
Machinery and equipment	1,359,409	17,869	(753)	–	1,376,525	767,577	34,758	(307)	802,028	574,497
Water and wastewater linear	4,851,337	156,676	(8,191)	–	4,999,822	1,779,043	58,532	(4,405)	1,833,170	3,166,652
Roads linear	3,639,177	238,521	(57,150)	–	3,820,548	1,708,622	83,739	(47,368)	1,744,993	2,075,555
Transit	4,979,031	110,714	(2,313)	–	5,087,432	2,905,149	267,760	(21,973)	3,150,936	1,936,496
Total infrastructure	**15,327,906**	**528,154**	**(68,407)**	**–**	**15,787,653**	**7,276,621**	**449,547**	**(74,053)**	**7,652,115**	**8,135,538**
Assets under construction	**1,549,073**	**1,216,200**	**(388,444)**	**–**	**2,376,829**	**–**	**–**	**–**	**–**	**2,376,829**
TOTAL	**29,425,836**	**2,644,885**	**(595,601)**	**1,197**	**31,476,317**	**11,036,926**	**1,018,351**	**(168,063)**	**11,887,214**	**19,589,103**

SCHEDULE OF GOVERNMENT BUSINESS ENTERPRISES – APPENDIX 1

As at and for the year ended December 31, 2011
(all dollar amounts in thousands of dollars)

Condensed Financial Results ($) Fiscal Year Ended	Toronto Hydro Corporation December 31		Toronto Parking Authority December 31		Enwave October 31		Toronto Port Lands Company December 31		Total	
	2011	2010	2011	2010	2011	2010	2011	2010	2011	2010
Financial Position										
Assets										
Current	656,278	805,310	24,784	29,893	38,193	38,593	33,213	–	752,468	873,796
Capital	2,399,497	2,128,777	138,872	144,611	307,486	294,751	341,258	–	3,187,113	2,568,139
Other	400,002	434,774	70,926	66,987	24,670	23,876	152,956	–	648,554	525,637
	3,455,777	**3,368,861**	**234,582**	**241,491**	**370,349**	**357,220**	**527,427**	–	**4,588,135**	**3,967,572**
Liabilities										
Current	448,061	640,385	23,125	43,542	16,776	16,875	8,944	–	496,906	700,802
Long-term	1,905,468	1,689,097	6,736	8,896	222,027	110,745	149,049	–	2,283,280	1,808,738
	2,353,529	**2,329,482**	**29,861**	**52,438**	**238,803**	**127,620**	**157,993**	–	**2,780,186**	**2,509,540**
Net equity	**1,102,248**	**1,039,379**	**204,721**	**189,053**	**131,546**	**229,600**	**369,434**	–	**1,807,949**	**1,458,032**
City's share (Note 5)	**1,074,183**	**1,007,781**	**204,721**	**189,053**	**67,755**	**62,950**	**369,434**	–	**1,716,093**	**1,259,784**
Results of Operations										
Revenues	2,813,143	2,621,213	126,547	147,818	83,180	80,271	37,638	–	3,060,508	2,849,302
Expenses	2,717,211	2,555,088	69,475	68,726	73,903	69,114	30,996	–	2,891,585	2,692,928
Net income (loss)	**95,932**	**66,125**	**57,072**	**79,092**	**9,277**	**11,157**	**6,642**	–	**168,923**	**156,374**
City's share (Note 5)	**95,932**	**66,125**	**57,072**	**79,092**	**3,991**	**4,799**	**6,642**	–	**163,637**	**150,016**
Distribution to City (Note 5)	–	–	42,749	59,293	–	–	–	–	42,749	59,293
Dividends paid to City (Note 5)	33,063	25,000	–	–	–	–	–	–	33,063	25,000
Net book value of assets sold from the City to Toronto Hydro Corporation (Note 5)	28,065	31,598	–	–	–	–	–	–	28,065	31,598
Net book value of assets transferred from Enwave to the City (Note 5)	–	–	–	–	35,003	35,817	–	–	35,003	35,817

CONSOLIDATED SCHEDULE OF SEGMENT DISCLOSURE – SERVICE – APPENDIX 2*

for the year ended December 31, 2011

(all dollar amounts in thousands of dollars)

	2011									
	General Government	Protection	Transportation	Environmental	Health	Social and Family	Social Housing	Recreation and Cultural	Planning and Development	Consolidated
Taxation	4,006,029	–	–	–	–	–	–	–	–	4,006,029
User charges	40,992	169,627	1,097,504	1,052,821	1,513	68,730	17,240	158,695	25,354	2,632,476
Government transfers	144,222	44,184	633,139	63,437	266,485	1,500,083	416,169	35,277	45,355	3,148,351
Net GBE income	188,041	–	–	–	–	–	–	–	–	188,041
Other	308,084	51,837	373,859	97,817	4,025	26,820	320,478	129,808	58,225	1,370,953
TOTAL REVENUES	**4,687,368**	**265,648**	**2,104,502**	**1,214,075**	**272,023**	**1,595,633**	**753,887**	**323,780**	**128,934**	**11,345,850**
Salaries, wages and benefits	397,623	1,506,641	1,300,420	262,747	318,754	554,631	120,956	536,708	55,271	5,053,751
Materials	373,433	18,583	324,554	144,405	18,352	58,324	15,763	76,517	4,806	1,034,737
Contracted services	195,047	19,812	424,372	230,809	42,178	239,527	155,618	106,059	81,568	1,494,990
Interest on long-term debt	9,680	9,118	139,199	8,606	747	3,186	72,875	17,213	6,616	267,240
Transfer payments	255,635	19,450	57,437	21,630	141	1,147,838	143,789	31,746	(473)	1,677,193
Other	(107,126)	47,039	(7,640)	86,146	15,000	45,797	175,917	27,725	24,780	307,638
Amortization	71,665	46,972	403,918	116,716	4,035	178	118,830	51,303	905	814,522
TOTAL EXPENSES	**1,195,957**	**1,667,615**	**2,642,260**	**871,059**	**399,207**	**2,049,481**	**803,748**	**847,271**	**173,473**	**10,650,071**
ANNUAL SURPLUS/ (DEFICIENCY)	**3,491,411**	**(1,401,967)**	**(537,758)**	**343,016**	**(127,184)**	**(453,848)**	**(49,861)**	**(523,491)**	**(44,539)**	**695,779**

***Definition of Segments by Service provided in Note 20 – Segmented Information.**

CONSOLIDATED SCHEDULE OF SEGMENT DISCLOSURE – SERVICE – APPENDIX 2*

for the year ended December 31, 2010

(all dollar amounts in thousands of dollars)

	2010									
	General Government	Protection	Transportation	Environmental	Health	Social and Family	Social Housing	Recreation and Cultural	Planning and Development	Consolidated
Taxation	3,968,421	–	–	–	–	–	–	–	–	3,968,421
User charges	48,257	156,420	1,049,019	1,010,679	3,353	68,362	16,869	157,205	18,929	2,529,093
Government transfers	106,000	50,553	664,285	106,062	256,048	1,548,849	372,880	31,578	36,987	3,173,242
Net GBE income	153,294	–	–	–	–	–	–	–	–	153,294
Other	294,387	109,024	234,283	152,235	4,125	20,754	319,564	78,294	59,306	1,271,972
TOTAL REVENUES	**4,570,359**	**315,997**	**1,947,587**	**1,268,976**	**263,526**	**1,637,965**	**709,313**	**267,077**	**115,222**	**11,096,022**
Salaries, wages and benefits	382,908	1,374,613	1,287,947	260,291	319,874	544,935	117,162	488,946	50,252	4,826,928
Materials	323,879	8,827	468,567	126,599	22,903	30,975	17,198	68,493	4,564	1,072,005
Contracted services	187,445	45,608	236,110	273,028	35,541	261,991	204,259	84,878	57,171	1,386,031
Interest on long-term debt	26,338	12,274	122,492	9,479	866	3,507	74,067	20,025	4,227	273,275
Transfer payments	55,163	46,840	71,716	76,061	12,953	1,184,359	161,815	43,227	(15,160)	1,636,974
Other	70,367	29,860	10,261	14,695	3,230	13,265	133,687	26,726	26,523	328,614
Amortization	19,664	51,688	636,851	123,744	5,904	1,801	110,099	63,615	4,985	1,018,351
TOTAL EXPENSES	**1,065,764**	**1,569,710**	**2,833,944**	**883,897**	**401,271**	**2,040,833**	**818,287**	**795,910**	**132,562**	**10,542,178**
ANNUAL SURPLUS/ (DEFICIENCY)	**3,504,595**	**(1,253,713)**	**(886,357)**	**385,079**	**(137,745)**	**(402,868)**	**(108,974)**	**(528,833)**	**(17,340)**	**553,844**

***Definition of Segments by Service provided in Note 20 – Segmented Information.**

CONSOLIDATED SCHEDULE OF SEGMENT DISCLOSURE – ENTITY – APPENDIX 3

for the year ended December 31, 2011

(all dollar amounts in thousands of dollars)

2011

	City	Police Services	Toronto Transit Commission	Toronto Public Library	Toronto Community Housing Corporation	Other Agencies, Boards and Commissions	TOTAL
Taxation	4,006,029	–	–	–	–	–	4,006,029
User charges	1,539,455	7,333	976,015	4,182	17,240	88,251	2,632,476
Government transfers	376,555	42,824	2,055,768	203,347	382,481	87,376	3,148,351
Net GBE income	188,041	–	–	–	–	–	188,041
Other	682,774	36,014	213,554	17,827	318,390	102,394	1,370,953
TOTAL REVENUES	**6,792,854**	**86,171**	**3,245,337**	**225,356**	**718,111**	**278,021**	**11,345,850**
Salaries, wages and benefits	2,538,999	1,012,872	1,123,418	154,226	117,727	106,509	5,053,751
Materials	748,110	2,456	228,193	28,202	15,961	11,815	1,034,737
Contracted services	973,997	12,446	225,127	211	155,618	127,591	1,494,990
Interest on long-term debt **	183,964	8,423	–	–	72,875	1,978	267,240
Transfer payments	2,731,493	205	(448,283)	(177,638)	(410,606)	(17,978)	1,677,193
Other	105,286	12,543	(9,126)	–	175,917	23,018	307,638
Amortization	305,114	40,315	312,996	28,661	118,830	8,606	814,522
TOTAL EXPENSES	**7,586,963**	**1,089,260**	**1,432,325**	**33,662**	**246,322**	**261,539**	**10,650,071**
ANNUAL SURPLUS/ (DEFICIENCY)	**(794,109)**	**(1,003,089)**	**1,813,012**	**191,694**	**471,789**	**16,482**	**695,779**

** As at December 31, the City has issued $2,124,391 in debentures for capital expenditures made on behalf of the TTC (2010: $1,806,229). Included in interest on long-term debt is $ 103,327 related to this debt.

CONSOLIDATED SCHEDULE OF SEGMENT DISCLOSURE – ENTITY – APPENDIX 3

for the year ended December 31, 2010

(all dollar amounts in thousands of dollars)

2010

	City	Police Services	Toronto Transit Commission	Toronto Public Library	Toronto Community Housing Corporation	Other Agencies, Boards and Commissions	TOTAL
Taxation	3,968,421	–	–	–	–	–	3,968,421
User charges	1,479,898	6,790	934,889	4,129	16,869	86,518	2,529,093
Government transfers	2,993,760	38,694	–	4,646	95,520	40,622	3,173,242
Net GBE income	153,294	–	–	–	–	–	153,294
Other	696,871	100,366	60,270	6,293	317,391	90,781	1,271,972
TOTAL REVENUES	**9,292,244**	**145,850**	**995,159**	**15,068**	**429,780**	**217,921**	**11,096,022**
Salaries, wages and benefits	2,379,766	951,491	1,141,766	144,867	117,162	91,876	4,826,928
Materials	629,890	31,376	371,165	3,069	17,198	19,307	1,072,005
Contracted services	1,086,081	9,480	32,658	(24,690)	204,259	78,243	1,386,031
Interest on long-term debt **	190,104	9,104	–	–	74,067	–	273,275
Transfer payments	3,671,763	9,063	(1,397,054)	(192,821)	(413,331)	(40,646)	1,636,974
Other	134,607	20,248	2,962	–	133,687	37,110	328,614
Amortization	282,425	44,978	542,319	27,596	110,497	10,536	1,018,351
TOTAL EXPENSES	**8,374,636**	**1,075,740**	**693,816**	**(41,979)**	**243,539**	**196,426**	**10,542,178**
ANNUAL SURPLUS/ (DEFICIENCY)	**917,608**	**(929,890)**	**301,343**	**57,047**	**186,241**	**21,495**	**553,844**

** As at December 31, the City has issued $1,806,229 in debentures for capital expenditures made on behalf of the TTC (2009: $1,595,168). Included in interest on long-term debt is $91,269 related to this debt.

CONSOLIDATED SCHEDULE OF SEGMENT DISCLOSURE – TANGIBLE CAPITAL ASSETS BY ENTITY – APPENDIX 4

for the year ended December 31, 2011

(all dollar amounts in thousands of dollars)

2011 and 2010

	City, including Police Services	Toronto Transit Commission	Toronto Community Housing Corporation	Toronto Port Lands Company	Toronto Public Library	Other Agencies, Boards and Commissions	TOTAL
2011							
General							
Cost	6,571,149	3,457,604	3,235,430	–	369,417	194,922	13,828,522
Accumulated amortization	1,629,245	1,824,296	944,828	–	143,957	47,575	4,589,901
Net Book Value	**4,941,904**	**1,633,308**	**2,290,602**	**–**	**225,460**	**147,347**	**9,238,621**
Infrastructure							
Cost	11,055,615	5,388,230	–	–	–	–	16,443,845
Accumulated amortization	4,648,634	3,305,897	–	–	–	–	7,954,531
Net Book Value	**6,406,981**	**2,082,333**	**–**	**–**	**–**	**–**	**8,489,314**
Assets under construction	**958,569**	**1,799,424**	**135,199**	**–**	**7,898**	**–**	**2,901,090**
Total	**12,307,454**	**5,515,065**	**2,425,801**	**–**	**233,358**	**147,347**	**20,629,025**
2010							
General							
Cost	6,453,336	3,105,012	3,077,285	173,653	355,014	147,535	13,311,835
Accumulated amortization	1,530,869	1,682,463	825,468	13,434	145,351	37,514	4,235,099
Net Book Value	**4,922,467**	**1,422,549**	**2,251,817**	**160,219**	**209,663**	**110,021**	**9,076,736**
Infrastructure							
Cost	10,700,221	5,087,432	–	–	–	–	15,787,653
Accumulated amortization	4,501,179	3,150,936	–	–	–	–	7,652,115
Net Book Value	**6,199,042**	**1,936,496**	**–**	**–**	**–**	**–**	**8,135,538**
Assets under construction	**723,125**	**1,537,760**	**106,356**	**–**	**9,588**	**–**	**2,376,829**
Total	**11,844,634**	**4,896,805**	**2,358,173**	**160,219**	**219,251**	**110,021**	**19,589,103**

GLOSSARY

ABC: The City's agencies, boards and commissions are referred to as ABCs.

Accrued Benefit Obligation: see Employee Benefits Liability – Gross.

Accrued Benefit Liability: see Employee Benefits Liability – Net.

Accrual Accounting: the accrual basis of accounting recognizes revenues as they are earned and measurable; expenses are recognized as they are incurred and measurable as a result of receipt of goods or services and the creation of legal obligation to pay. This is also known as the full accrual basis of accounting. Previously municipal governments did not capitalize tangible capital assets and recorded them as expenditures. This was the only exception to the accrual basis of accounting and therefore municipal accounting was previously referred to as the modified accrual basis of accounting.

Accumulated amortization: the sum of all amortization expensed on a given asset or asset class to-date.

Accumulated surplus: the difference between the City's non-financial assets and its net debt. The accumulated surplus is the sum of: assets invested in tangible capital assets, the operating, capital and reserve funds, net of amounts to be recovered.

Amortization expense: annual charge to expense to represent allocation of an asset's cost over its useful life.

Amounts to be recovered: the sum of items that have not been included in previous budgets and that will be recovered from future rates or taxes. Amounts to be recovered consist of outstanding debt, unfunded future employment costs, unfunded landfill post-closure costs, as well as unfunded environmental, property and liability claims.

Bankers Acceptance (BA): A short-term debt instrument that is guaranteed by a commercial bank.

BOG: the Board of Governors of Exhibition Place

Budget - operating: an outline of the government's operating revenue and expense plan for the upcoming year. The Operating Budget is formally presented early each year, and is subject to public consultation and debate prior to approval. Separate operating budgets are prepared for the tax supported and each of the rate supported areas. The Operating Budget sets out the amount of taxes to be collected for the year, as well as fees to be charged and authorized expenses.

Budget - capital: an outline of the government's capital revenue and expense plans for the upcoming year. Certain capital projects are budgeted on a life-to-date basis.

Business Improvement Area (BIA): A Business Improvement Area is an association of commercial property owners and tenants within a defined area who work in partnership with the City to create thriving, competitive, and safe business areas that attract shoppers, diners, tourists, and new businesses.

CICA: the Canadian Institute of Chartered Accountants. The CICA conducts research into current business issues and supports the setting of accounting, auditing and assurance standards for business, not-for-profit organizations and government.

City of Toronto Act, 2006: an Ontario Statute that outlines the broad permissive powers of the City of Toronto to pass by-laws that range from public safety, to the City's economic, social and environmental well being.

Consolidated statements: financial statements which include all of the entities controlled by the City.

Consolidation: inclusion of all entities controlled by the City, except for those which qualify as government business enterprises, on a line-by-line basis in the City's financial statements.

Contingent Liabilities: possible obligations that may result in the future sacrifice of economic benefits arising from existing conditions or situations involving uncertainty. The uncertainty will ultimately be resolved when one or more future events not wholly within the government's control occur or fail to occur. Resolution of the uncertainty will confirm the incurrence or non-incurrence of a liability.

Contractual Obligations: obligations of a government to others that will become liabilities when the terms of a contract or agreement are met.

CVA: Under Current Value Assessment a property is assessed for tax purposes at the price that it would be expected to sell for by a willing seller to a willing buyer.

Debenture: a debt instrument where the issuer promises to pay interest and repay the principal by the maturity date. It is unsecured, meaning there is no lien on any specific asset.

Debt: a financial obligation from borrowing money.

Deferred revenue: amounts received regarding obligatory reserve funds or funds with other internal or external restrictions, which have remain unspent at year end. These amounts are shown with liabilities and are recognized in revenue when they are spent for their intended purpose.

Deficit: the amount, if any, by which government expenses exceed revenues in any given year. Unlike the senior levels of government, municipalities cannot budget to run a deficit.

Derivatives: financial contracts that derive their value from other underlying instruments. TCHC has used a derivative to hedge interest costs.

Employee Benefits Liability - Gross: the present value of the expected payouts for benefits which employees have earned at year end. This amount is calculated by the City's actuaries every three years, and updated based on actual data between valuations.

Employee Benefits Liability - Net: the amount recorded in the Statement of Financial Position representing the present value of the expected payouts for benefits which employees have earned at year end, after allowing for the required smoothing of actuarial gains and losses. PSAB requires amortization of each actuarial gain or loss over the Expected Average remaining Service Life of the employee group, at the time of the actuarial valuation. This net liability may be lower than the gross liability when actuarial losses exceed gains (as in 2008), or larger than the gross liability when gains exceed losses (as in 2009).

Fair Value: the price that would be agreed upon in an arm's length transaction and in an open market between knowledgeable, willing parties who are under no compulsion to act. It is not the effect of a forced or liquidation sale.

Financial Assets: assets that could be used to discharge existing liabilities or finance future operations and are not for consumption in the normal course of operations. Financial assets include cash; an asset that is convertible to cash; a contractual right to receive cash or another financial asset from another party; a temporary or portfolio investment; and a financial claim on an outside organization or individual.

Fiscal Year: the City of Toronto's fiscal year runs from January 1 to December 31.

GAAP: generally accepted accounting principles, as laid out in the relevant Handbook – the Public Sector Accounting Handbook for government organizations and the CICA Handbook or IFRS for Government Business Enterprises.

GAAS: generally accepted auditing standards. Standards established by Canadian Institute of Chartered Accountants (CICA) for use by public accountants when conducting external audits of the financial statements.

Government Business Enterprise (GBE): an organization that has all of the following characteristics: a) it is a separate legal entity with the power to contract in its own name and that can sue and be sued; b) it has been delegated the financial and operational authority to carry on a business; c) it sells goods and services to individuals and organizations outside of the government reporting entity as its principal activity; and d) it can, in the normal course of its operations, maintain its operations and meet its liabilities from revenues received from sources outside of the government reporting entity. Government business enterprises are accounted for under the modified equity method.

Hedging: a strategy to minimize the risk of loss on an asset (or a liability) from market fluctuations such as interest rate or foreign exchange rate changes. This is accomplished by entering into offsetting commitments with the expectation that a future change in the value of the hedging instrument will offset the change in the value of the asset (or the liability).

Indemnity: an agreement whereby one party agrees to compensate another party for any loss suffered by that party. The City can either seek or provide indemnification.

Infrastructure: the facilities, systems and equipment required to provide public services and support private sector economic activity including network infrastructure (e.g., roads, bridges, water and wastewater systems, large information technology systems), buildings (e.g., hospitals, schools, courts), and machinery and equipment (e.g., medical equipment, research equipment).

International Financial Reporting Standards (IFRS): Government Business Enterprises must follow IFRS for fiscal years beginning on or after January 1, 2011. Other government organizations may also choose to follow IFRS. IFRS reporting is also mandatory for publicly accountable (non-government) enterprises beginning in 2011. IFRSs are now available in part I of the CICA Handbook.

Liabilities: are present obligations of a government to others arising from past transactions or events, the settlement of which is expected to result in the future sacrifice of economic benefits. These liabilities have three essential characteristics: (a) they embody a duty or responsibility to others, leaving a government little or no discretion to avoid settlement of the obligation; (b) the duty or responsibility to others entails settlement by future transfer or use of assets, provision of goods or services, or other form of economic settlement at a specified or determinable date, on occurrence of a specified event, or on demand; and (c) the transactions or events obligating the government have already occurred.

Loan Guarantee: an agreement to pay all or part of the amount due on a debt obligation in the event of default by the borrower.

LRVs: Light Rail Vehicles.

LTD: Long Term Disability.

Modified Equity Method of Accounting: investment balances are adjusted for any earnings or losses of the government business enterprise, without adjustment to correspond to public sector GAAP.

MPAC: The Municipal Property Assessment Corporation is a non profit organization which serves Ontario property taxpayers together with provincial and municipal stakeholders by providing property assessments and enumeration services.

Multi-employer Pension Plan: is a defined benefit pension plan to which two or more governments or government organizations contribute, usually pursuant to legislation or one or more collective bargaining agreements. The main distinguishing characteristic of a multi-employer plan is that the contributions by one participating entity are not segregated in a separate account or restricted to provide benefits only to employees of the entity and, thus may be used to provide benefits to employees of all participating entities.

Net Book Value of Tangible Capital Assets: historical cost of tangible capital assets less both the accumulated amortization and the amount of any write-downs.

Net Debt: the difference between the City's total liabilities and financial assets. It represents the City's future revenue requirements to pay for past transactions and events.

Non-Financial Assets: assets that normally do not generate cash capable of being used to repay existing debts. For the Province, it comprises tangible capital assets and net assets of broader public sector organizations.

Obligatory reserve funds: amounts collected from developers or through other legislation or legal agreement, which must be spent in a prescribed manner.

Option: a contract that confers the right, but not the obligation, to buy or sell a specific amount of a commodity, currency or security at a specific price, on a certain future date.

Other than a Temporary Decline: a loss in value of a portfolio investment that is other than a temporary decline occurs when the actual value of the investment to the government becomes lower than the carrying value and the impairment is expected to remain for a prolonged period.

PSAB: the Public Sector Accounting Board (PSAB) of the CICA sets standards and provides guidance for financial and other performance information reported by the public sector.

Present Value: the current worth of one or more future cash payments, determined by discounting the payments using a given rate of interest.

Recognition: the process of including an item in the financial statements of an entity.

Reserves and reserve funds: fiscal and accounting entity segregated by Municipal Council for the purpose of carrying on specific activities or attaining certain objectives in accordance with internally or externally established restrictions or limitations. By City policy and practice, interest earnings are applied only to reserve funds, while reserves do not earn interest.

Segment: a distinguishable activity or group of activities of a government for which it is appropriate to separately report financial information to help users of the financial statements identify the resources allocated to support the major activities of the government.

Sinking Fund Debenture: a debenture that is secured by periodic payments into a fund established to retire long-term debt.

Straight-Line Basis of Amortization: a method whereby the annual amortization expense is computed by dividing i) the historical cost of the asset less the residual value by ii) the number of years the asset is expected to be used.

Surplus: the amount by which revenues exceed expenses in any given year.

TAF: the Toronto Atmospheric Fund

Tangible Capital Assets: physical assets including land, buildings, transportation and transit infrastructure, water & wastewater infrastructure, vehicles and equipment. These assets are recorded in the City's consolidate financial statements for the first time in 2009.

TCHC: the Toronto Community Housing Corporation

TDSB: the Toronto District School Board

TEDCO: Toronto Economic Development Corporation, carrying on business as Toronto Portlands Company (TPLC)

TPLC: see TEDCO

Total Debt: the City's total borrowings outstanding.

TPA: Toronto Parking Authority

Transfer Payments: grants or transfers of monies to individuals, organizations or other levels of government for which the government making the transfer does not receive any goods or services directly in return, as would occur in a purchase or sale transaction; expect to be repaid, as would be expected in a loan; or expect a financial return, as would be expected in an investment.

TTC: the Toronto Transit Commission

TWRC: the Toronto Waterfront Revitalization Corporation

Unrealized Gain or Loss: an increase or decrease in the fair value of an asset accruing to the holder. Once the asset is disposed of or written off, the gain or loss is realized.

WSIB: the Workplace Safety and Insurance Board

2011 STATISTICAL INFORMATION

CITY OF TORONTO FINANCIAL REPORT

FIVE-YEAR REVIEW SUMMARY

(Not subject to audit; all dollar amounts are in thousands except per capita figure) (See accompanying end notes)

	2011	2010	2009	2008	2007
Population (Note 1)	2,790,200	2,773,000	2,755,800	2,738,600	2,730,100
Households (Note 1)	1,097,600	1,090,800	1,084,000	1,082,000	1,073,800
Areas in square kilometres	634	634	634	634	634
Full-time employees	45,388	46,228	45,673	42,627	41,452
Housing Starts	18,972	13,425	11,919	19,710	8,854
Building Permit Values	$8,514,926	$10,167,238	$5,521,393	$5,899,802	$6,988,434
TAXATION ASSESSMENT UPON WHICH TAX RATES WERE SET (Note 2)					
Residential, Multi-residential, New Multi-residential, Farmlands, and Managed Forest	$328,192,641	$294,740,597	$276,277,574	$258,854,050	$255,450,742
Commercial, Industrial and Pipeline	86,108,916	73,907,329	68,075,621	61,789,182	61,551,518
TOTAL	**$414,301,557**	**$368,647,926**	**$344,353,195**	**$320,643,232**	**$317,002,260**
Total assessment per capita	$148,485	$132,942	$124,956	$117,083	$116,114
TAX RATES (URBAN AREA) – (Note 2)					
Residential, New Multi-Residential, Farmlands and Managed Forest (expressed in %) - Note - Full Rate Only					
City purposes	0.5619218%	0.5895702%	0.6027807%	0.6109226%	0.5888434%
School board purposes	0.2310000%	0.2410000%	0.2520000%	0.2640000%	0.2640000%
TOTAL	**0.7929218%**	**0.8305702%**	**0.8547807%**	**0.8749226%**	**0.8528434%**
Multi-Residential (expressed in %)					
City purposes	1.8635584%	1.9552517%	2.0373418%	2.1191990%	2.0881901%
School board purposes	0.2310000%	0.2410000%	0.2520000%	0.2640000%	0.2640000%
TOTAL	**2.0945584%**	**2.1962517%**	**2.2893418%**	**2.3831990%**	**2.3521901%**
Commercial (expressed in %)					
City purposes	1.8257360%	1.9367482%	2.0431761%	2.1514381%	2.1174565%
School board purposes	1.5404080%	1.6615560%	1.8030600%	1.9683050%	1.9758210%
TOTAL	**3.3661440%**	**3.5983042%**	**3.8462361%**	**4.1197431%**	**4.0932775%**
Industrial (expressed in %)					
City purposes	1.8203441%	1.9900160%	2.1484993%	2.2855806%	2.3093771%
School board purposes	1.5657920%	1.7040030%	1.8618110%	2.0507090%	2.0599070%
TOTAL	**3.3861361%**	**3.6940190%**	**4.0103103%**	**4.3362896%**	**4.3692841%**
Pipeline (expressed in %)					
City purposes	1.0808925%	1.1340760%	1.1594874%	1.1751488%	1.1326782%
School board purposes	1.6371510%	1.6890270%	1.7425120%	1.7985840%	1.8026370%
TOTAL	**2.7180435%**	**2.8231030%**	**2.9019994%**	**2.9737328%**	**2.9353152%**

FIVE-YEAR REVIEW SUMMARY

(Not subject to audit; all dollar amounts are in thousands except per capita figure) (See accompanying end notes)

	2011	2010	2009	2008	2007
TAXES RECEIVABLE – END OF THE YEAR					
Amount	$244,209	$300,387	$313,088	$246,074	$220,372
Per Capita	$88	$108	$114	$90	$81
NET LONG-TERM DEBT – END OF YEAR					
Amount	$3,264,220	$2,890,472	$2,798,585	$2,741,227	$2,758,180
Per Capita	$1,170	$1,042	$1,016	$1,001	$1,010
INTEREST CHARGES FOR NET LONG-TERM DEBT					
Amount	$221,072	$221,663	$217,589	$173,723	$154,413
Per Capita	$79	$80	$79	$63	$57
LONG-TERM DEBT SUPPORTED BY PROPERTY TAXES					
Gross Long-Term Debt	$4,037,810	$3,694,108	$3,868,170	$3,556,500	$3,468,955
Net Long-Term Debt (Net of Sinking Fund deposits)	$3,264,220	$2,890,472	$2,798,585	$2,741,227	$2,758,180
LONG-TERM DEBT AND MORTGAGES CHARGES (includes principal repayments, interest on long-term debt and interest earned on sinking funds).					
Amount	$563,294	$1,179,542	$599,489	$583,407	$531,736
Percentage of Total Consolidated Expenses	5.29%	11.19%	6.02%	6.18%	5.62%
TAXES COLLECTED					
City Collection	$4,029,667	$3,917,991	$3,660,600	$3,529,681	$3,282,427
Taxes Transferred to the School Board	1,906,588	1,886,726	1,882,376	1,870,204	1,851,618
TOTAL	**$5,936,255**	**$5,804,717**	**$5,542,976**	**$5,399,885**	**$5,134,045**
TRUST FUNDS BALANCE – END OF YEAR	**$45,993**	**$46,743**	**$48,611**	**$45,422**	**$47,894**

FIVE-YEAR REVIEW SUMMARY

(Not subject to audit; all dollar amounts are in thousands except per capita figure) (See accompanying end notes)

	2011	2010	2009	2008	2007
SUMMARY OF CONSOLIDATED REVENUES AND EXPENDITURES (Note 3)					
CONSOLIDATED OPERATIONS					
REVENUE BY SOURCE					
Residential and Commercial property taxation	$3,907,433	$3,859,765	$3,655,880	$3,469,974	$3,186,766
Taxation from other government	98,596	108,656	100,179	80,710	99,181
User Charges	2,632,476	2,529,093	2,309,164	2,108,423	1,966,890
Funding transfers from other governments	3,148,351	3,173,242	2,993,468	3,025,828	2,188,715
Government business enterprise earnings	188,041	153,294	115,012	240,402	136,169
Rental and Concessions	386,073	372,959	355,005	355,591	347,317
Other	984,880	899,013	885,783	456,912	935,498
TOTAL	**$11,345,850**	**$11,096,022**	**$10,414,491**	**$9,737,840**	**$8,860,536**
CONSOLIDATED EXPENSES BY FUNCTION (Note 4)					
General Government	$1,195,957	$1,065,764	$803,504	$794,329	$580,498
Protection to persons and property	1,667,615	1,569,710	1,525,221	1,466,272	1,500,550
Transportation	2,642,260	2,833,944	2,696,197	2,578,243	2,398,891
Environment Services	871,059	883,897	873,684	855,105	1,060,052
Health Services	399,207	401,271	376,463	375,904	356,129
Social and family services	2,049,481	2,040,833	1,946,444	1,803,134	1,781,475
Social housing	803,748	818,287	837,786	651,022	803,784
Recreation and cultural services	847,271	795,910	769,110	770,880	849,001
Planning and development	173,473	132,562	126,991	144,655	136,179
TOTAL	**$10,650,071**	**$10,542,178**	**$9,955,400**	**$9,439,544**	**$9,466,559**
ANNUAL SURPLUS	**$695,779**	**$553,844**	**$459,091**	**$298,296**	**–**
ACCUMULATED SURPLUS: (Note 3)					
Financial Assets	$7,273,083	$6,513,984	$6,728,291	$7,109,217	–
Liabilities	11,684,379	10,899,622	10,392,487	10,647,259	–
Net Debt	(4,411,296)	(4,385,638)	(3,664,196)	(3,538,042)	–
Non-Financial Assets	20,923,368	19,870,692	18,595,406	17,806,450	–
Accumulated Surplus	**$16,512,072**	**$15,485,054**	**$14,931,210**	**$14,268,408**	**–**

FIVE-YEAR REVIEW SUMMARY

(Not subject to audit; all dollar amounts are in thousands except per capita figure) (See accompanying end notes)

	2011	2010	2009	2008	2007
CONSOLIDATED SUMMARY OF FUNDING TRANSFERS FROM OTHER GOVERNMENTS (Note 3)					
Social Assistance	$883,817	$885,319	$801,271	$732,840	$708,677
Child Care Assistance	264,866	264,345	262,540	262,478	244,411
Health Services	162,332	118,669	117,558	151,526	142,641
Social Housing	526,697	544,278	422,284	446,501	413,225
Other	539,545	371,379	144,607	420,916	253,371
Government of Canada Transfer - TTC	329,693	187,120	700,876	508,499	236,668
Government of Canada Transfer - Capital	420,643	303,921	211,656	182,927	141,128
Province of Ontario Transfer - Capital	20,758	405,643	332,676	298,404	9,972
Province of Ontario Transfer - Reserve Funds	–	92,568	–	21,737	38,622
TOTAL	**$3,148,351**	**$3,173,242**	**$2,993,468**	**$3,025,828**	**$2,188,715**
CONSOLIDATED EXPENSES BY OBJECT (Note 3)					
Salaries , wages and benefits	$5,053,751	$4,826,928	$4,523,437	$4,442,881	$4,235,706
Materials	1,003,737	1,072,005	939,768	1,181,882	1,929,987
Contracted Services	1,525,990	1,386,031	1,356,914	1,355,457	1,708,706
Interest on long-term debt & TCHC mortgage	267,240	273,275	229,503	232,116	213,723
Transfer payments	1,677,193	1,636,974	1,638,412	1,295,514	1,190,895
Amortization	814,522	1,018,351	1,071,896	797,281	–
Other	307,638	328,614	195,470	134,413	187,542
TOTAL	**$10,650,071**	**$10,542,178**	**$9,955,400**	**$9,439,544**	**$9,466,559**
RESERVE & RESERVE FUND BALANCE – End of the year	$1,305,804	$1,355,092	$1,460,612	$1,332,849	$1,177,460
TANGIBLE CAPITAL ASSETS (Note 3)					
COST:					
General Assets	$13,828,522	$13,311,835	$12,548,857	11,631,237	10,809,518
Infrastructure	16,443,845	15,787,653	15,327,906	14,933,347	14,596,849
Assets under construction	2,901,090	2,376,829	1,549,073	1,147,166	853,992
TOTAL	**33,173,457**	**31,476,317**	**29,425,836**	**27,711,750**	**26,260,359**
ACCUMULATED AMORTIZATION:					
General Assets	$4,589,901	$4,235,099	$3,760,309	$3,316,129	$2,982,966
Infrastructure	7,954,531	7,652,115	7,276,620	6,755,678	6,379,426
TOTAL	**12,544,432**	**11,887,214**	**11,036,929**	**10,071,807**	**9,362,392**
NET BOOK VALUE	**$20,629,025**	**$19,589,103**	**$18,388,907**	**$17,639,943**	**$16,897,967**

FIVE-YEAR REVIEW SUMMARY

(Not subject to audit; all dollar amounts are in thousands except per capita figure) (See accompanying end notes)

Note 1: Source of population data and number of households is from the City of Toronto, City Planning Division – which uses the data from the last Annual Demographic Estimate of Statistics Canada.

Note 2: Taxation related information reflect Current Value Assessment (CVA).

Note 3: Effective January 1, 2009, the City has adopted PSAB Section 3150 and 1200. These changes have resulted in new reporting requirements which have been applied retroactively and have resulted in restatement of comparative figures effective 2008 onwards and opening inventory of tangible capital assets as of January 1, 2008.

Note 4: During 2010, a review of the accounting for the TTC Pension Plan was undertaken. This change has been accounted for on a retroactive basis, with prior period restatement, in accordance with Section 2120 of the Public Sector Accounting Handbook. Comparative figures for 2009 only are amended.